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FIRE & LIFE

No. 3.

Insurance and Finance

VOL. XII.

CHRONICLE.

OFFICE
1724 Notre Dame Street.

MONTREAL, FEBRUARY 1, 1892.

SUBSCRIPTION:
\$2.00 per ANNUM.

THE Insurance and Finance Chronicle.

Published on the 1st and 15th of each month.

AT 1724 NOTRE DAME ST., MONTREAL.

R. WILSON SMITH, Editor and Proprietor.

A. H. HULING, Associate Editor.

Annual Subscription (in Advance) \$2.00
Prices for Advertisements on application.

All Communications intended for THE CHRONICLE must be in hand not later than the 10th and 25th of the month to secure insertion.

THE FACT THAT he is a benefactor to his fellows, whatever may be the condition of his cash account, ought to afford a good deal of solid satisfaction to every life insurance agent. Every man upon whom the agent prevails to insure his life is debtor to that agent for a distinct benefit conferred either upon himself or upon those dependent upon him. In thousands of cases the persuasive arguments of the agent have turned into daily bread and welcome shelter in after years to otherwise hungry and homeless ones, or to comfortable provision for himself to the man who yielded to the persuasion. Occasionally this fact is appreciated and the agent regarded with grateful remembrance, but very rarely, we think, does the remembrance take the substantial form recorded by an Austrian journal, the *Revue*, of a gentleman of some means who was reluctantly persuaded to take out a policy for \$7,500, and who afterward, in gratitude therefor, remembered the agent in his will to the extent of \$250. We venture to believe that evidence of the spirit which prompted the gift afforded quite as much satisfaction to the agent as the value of the gift itself.

AMONG THE NUMEROUS bills introduced into the New York legislature recently is one prohibiting the trustees, directors, officers, clerks and agents of mutual life, or assessment and casualty insurance companies and associations from controlling, holding or voting proxies of members on any occasion. A member may represent his fellow members by the use of proxies, limited in their use to the meeting for which they are granted, but only to the amount of \$100,000 of insurance held by the persons whose proxies are thus used. What may be the fate of this bill is of course problematical, but the reform at which it aims is evidently a much needed one. The best means of bringing about

the reform with safety to all the interests involved is not so easy to determine. Granted a corps of honest and capable officers, it is well that they have the means of perpetuating the management, but when corruption or inefficiency holds the reins there is practically no way of bringing about a change, for it is well known that the officers of mutual companies hold perpetual control of enough proxies to re-elect themselves. How to avoid the Scylla of bad management on the one hand, and the Charybdis of a raid by a few ambitious members on a good management on the other hand is a vexed question.

WITH REFERENCE TO the contemplated readjustment of rates and conditions governing the insurance of cotton mill risks in England, referred to in our last issue, some additional information has been furnished by the manager of a prominent English company. Some five or six years ago the tariff then in force was abolished, and owing to the competition of certain offices not members of the Fire Offices Committee it has not since been found possible to secure an agreement on the cotton mill business. Now, however, owing to the extinction of one of the companies referred to and to some of the others having joined the F. O. C., the subject has received consideration, and it is believed that a cotton mill tariff will be established. Notwithstanding that the business as a whole has been very unprofitable, most of the English companies have competed for this class of risks at altogether inadequate rates. Though the business has been somewhat revolutionized by the introduction of automatic sprinklers, there have been one or two disastrous fires in mills completely fitted up with these sprinklers. These fires occurred from exceptional causes, but their occurrence will doubtless affect the judgment of many offices in regard to the hazard of these risks, and the general opinion seems to be in favor of a tariff.

AN IMPORTANT MEETING has lately been held at Cleveland, Ohio, made up of delegates from the National Board of Fire Underwriters and the National Associations, respectively, of Architects, Builders and Fire Engineers. The object of the convention was to discuss the best methods of construction for buildings, and to formulate a code of general building laws with

a view to urging adoption by all the principal cities in the country. To this end a joint committee, consisting of three members chosen from each of the national associations named, was created as a permanent committee "on uniform building laws and the reduction of fire waste." We noted the beginning of this movement some time since at a meeting in New York, similar to the above, when the outlines of a desirable code were agreed upon and now made the basis of the uniform regulations to be recommended. The consideration of this question by the combined ability and experience of these national associations marks an important era, for the conclusions reached and the recommendations made cannot fail to carry great weight with legislators, resulting in improved building laws, than which nothing is more urgently needed.

SOME OF OUR exchanges are giving space, with mildly favorable comment, on the proposition of somebody that a life insurance company exclusively for the insurance of women be organized in the United States. But why for women exclusively? Some of the best companies in existence already freely issue policies upon the lives of women, and none who are insurable need look far for all the insurance they can pay for. We recognize the fact that there are thousands of unmarried women, wholly dependent upon their own labor for support, to whom a provision for the future through the medium of an endowment policy comes as a boon no less than to men. There are others, widows perhaps, with children dependent upon them, who wisely seek the protection which insurance affords, and still others, married women, who, under peculiar circumstances, may legitimately apply for insurance for the future benefit of dependent ones. And all these classes of women can get policies in strong well established companies at equitable rates. If women ought to be insured separately as a class, then why not classes of women have separate companies? Of course somebody will want a women's life insurance company for teachers, another for clerks, another for typewriters, and so on to the end of the chapter.

WE NOTICE THAT a committee of the National Association of Life Underwriters, charged with looking after the project of having a "bureau of information," made a report to the executive committee of the Association at its meeting in New York not long since, recommending that each local association shall keep a book containing the names and certain information concerning all agents in its field engaged in life insurance about whom the information would presumably be desirable to those members of the Association who employ agents. This list is supposed to embrace the names of such as are deemed to be undesirable, to which is to be added a special list to be known as the "black list," which shall contain the names of such agents as have been definitely charged with misconduct or shown to have been crooked. A member of each local association is to be designated to have the custody and revision of this book, and when a name is black-listed it is to be sent to the secretary of the National

Association, who passes it on to the custodians of all the local associations. The guarding of the noble army of life insurance workers from unworthy members and known scalawags is every way commendable; but we suggest that exceedingly great caution will be necessary in the working of the above or any similar plan, else injury may be done to worthy men through misinformation or hastily formed conclusions. The publication of a "black list," however seemingly desirable, is a rather ticklish business.

THE AVERAGE SIZE OF LIFE POLICIES.

It seems altogether likely that the popular impression about the large amount of life insurance carried upon a single life by the various companies, especially the older and larger ones, is of an exaggerated kind. A few of the very largest companies take \$100,000, which, however, as a rule is reduced more or less by partial reinsurance in other companies, while almost any of the smaller good companies do not hesitate to take a \$10,000 risk, other companies taking amounts anywhere between these two extremes. We do not think, however, that the large policies for \$50,000 or \$100,000 are very numerous among those companies whose maximum limit runs up to these figures. At least one thing is certain, viz., that the average amount per policy carried by the companies as a whole, either in this country, in Great Britain or in the United States, is anything but large, and doubtless much smaller than is popularly supposed.

For instance, the average amount insured per policy in Canada by all the life companies doing business here, industrial policies being excluded, is \$1,786, basing the calculation on the 1890 reports. Classified, the averages are as follows: Canadian companies, \$1,692; British companies, \$2,028; American companies, \$1,872. The latter, it will be remembered, include the three New York "giants." The average per policy of the British companies on total business reported by head offices is \$2,410, of course excluding industrial business; and the average of all the American companies reporting to the New York insurance department for 1890 is \$2,783. As a good many individuals carry two or more policies in the same company, of course the amount assured per *life* will be considerably larger than the amount per *policy*. Suppose, in the absence of exact knowledge as to the number of lives assured, we assume that the total number of policies in each case represents two-thirds that number of persons, we shall then have an average amount of assurance per life as follows: American companies, total business, \$4,176; British companies, total business, \$3,615; Canadian companies, total business, \$2,548; Canadian business, all companies, \$2,650. Taking the three great American companies—the Mutual Life, the Equitable and the New York Life—whose averages per policy are, for the first, \$3,104; for the second, \$3,643; and for the third, \$3,282, and whose combined average per policy is \$3,342, and on the above supposition that there are two-thirds as many lives as there are policies, we find the combined average carried on a single life to be \$5,013. These are interesting facts, in themselves, relating to the general averages on assured lives by all the companies, whatever they may or may not indicate as to the percentage of large policies.

ABANDONMENT IN FIRE INSURANCE.

Abandonment in marine insurance is an act at the option of the insured, whereby, in the event of loss under his policy, he is permitted to relinquish to his underwriters all salvage or remnants of the property at risk, or the proceeds thereof, or any claims or benefits arising therefrom, and claim as for a total loss. The damaged property, usually by shipwreck, was in olden times frequently landed in some remote quarter of the world beyond the immediate control of the owner, with limited and dilatory methods of communication, so that the actual value of what salvage there might be was unknown and growing less by delay; and the time at which its value and condition could be ordinarily ascertained was so uncertain that it was the practice for the insured to give the underwriter "notice of abandonment," and make a claim for a total loss. The insured thus parted with all control of the salvage, within the sum of the insurance, to the underwriter, who thenceforward assumed ownership, and disposed of the property as best he could, and not unfrequently this was done to good advantage.

While abandonment, under certain restrictions, may be said to have been co-existent with marine underwriting, the custom is not recognized in the fire branch, where the salvage remains the property and at the risk of the insured, for which, after appraisalment, the insurer gets credit upon the loss to its equivalent sound value, and pays for any deficiency between the salvage and the amount of the insurance. This payment may be made either in cash or by a re-instatement of the property to an amount in value equal to the loss and of equal goodness as to quality. While the ordinary fire insurance policy provides that there shall be no abandonment of damaged goods by the insured, as practised in the marine branch, the principle of abandonment is not only applicable, but is frequently availed of in the fire branch in the form of subrogation. The terms of the policy guarantee indemnity only; this principle of indemnity requiring that the insured shall not be repaid the full value of his interest in the burned portion of his property, and at the same time be permitted to retain such interest or any portion of it; as where the insured may, at the time of the loss, have or hold any claim, mortgage or other security as collateral thereto; or where he may be vested at common law with rights of recovery against other parties. Any other course would militate against the underlying principle of insurance, which is, that under no circumstances must the adjustment of a loss make it profitable to the insured to have losses.

Nevertheless, while the principle of abandonment is not recognized in the fire branch, the insured cannot compel the underwriter to accept the salvage and pay as for a total loss; neither can the underwriter compel the insured to hand over any or all of the remnants; yet it not unfrequently occurs that it becomes to the advantage of the underwriters to take the damaged goods at invoice prices, and pay as for a total loss, as being the most ready and equitable means of reaching the present value of the property at the time of the

settlement. The salvage thus becomes the property of the underwriters, who can dispose of it at their option; and should a profit result from the sale, as not unfrequently happens, such profit inures to the sole benefit of the underwriters, the abandonment operating as a direct sale to them.

The measure of damage differs in the two branches, marine and fire; in the former, unless insured under a valuation, as is most frequently the case, the value of the property at the time of the loss is the cost at the time and place of shipment, without allowance for freight or profit on the venture, though it sometimes happens that an agreed addition has been made to such value, but included in the valuation; while in the fire branch the measure of damage is the cost of reinstating the property at the time of the loss, be the same more or less than the original cost, and hence there can be no abandonment in fire insurance so long as the insurer has the option of reinstatement as conferred by the stipulations of the policy. As Mr. Bunyon, an English lawyer who has written upon insurance, says:

It is one thing to indemnify the insured for injury actually sustained, and quite another to be compelled to become the purchaser of a large amount of damaged merchandise. * * * The attempt to convert insurance companies into speculators in produce, with all the disadvantage of forced sales and combined buyers, was surely never suggested, much less sanctioned by any fair legal construction of the terms of the policy. In any case it is a risk not contemplated by the insurers, and is one for which a fitting rate of premium has yet to be inquired for and found. If the policy is not only to take the risk of damage by fire, but also the chances of falling markets and forced sales, there must be quoted a presumably adequate rate of premium by those who are willing to embark in the experimental business. It is simply the insurance of merchandise from the risk of fire—plus the risks and zigzags of markets.

Abandonment, for reasons above stated, was a necessity from the conditions of trade and commercial conditions in the early days. It was even then held to be "an extreme remedy," to be resorted to only when circumstances would furnish no other means of indemnity to the insured. In the United States there can be no abandonment unless the damage to the property at risk reaches 50 per cent. of its value. And as the facilities for news and for saving wrecked property increase, the old doctrine of abandonment will become more and more modified, until it will eventually assimilate more closely to the system used in the fire branch.

FIRES IN MONTREAL AND NEW YORK.

On the night of Wednesday, the 20th January, Montreal was visited with two serious fires, while on the following day in New York the Spingler Building on Union Square, adjoining the well known store of Tiffany & Co., was completely wrecked by the devouring element. Our friend Dogberry remarks that "comparisons are odorous," and we perhaps should not have thought it worth while to compare the \$100,000 fire at the corner of Victoria Square and Craig Street with that which destroyed half a million in New York the following day, had we not observed that a native of the latter city was reported to have said in his wisdom, that if Montreal had possessed a water tower the above fire

in this city would have been extinguished in ten minutes. Yet, strange to say, at the fire in Spingler's Building the New York fire brigade had not only eight engines working but *two* water towers, and the fire raged over three hours, and was only put out when the building had been completely gutted and almost demolished. Had not Tiffany's building been fire-proof there is no doubt that it would have suffered considerable damage if not total destruction. The following is quoted from the *New York Times*: "In spite of the two water towers, the immense stream from the platform of one of them and the deluge from sixteen lines of hose, the fire appeared to be uncontrollable at all points, until it had swept away the roofs of both the Union Square and the 15th Street buildings, and entirely destroyed all stock above the second floors."

In writing thus we by no means wish to detract from the value of water towers, but desire to show the absurdity of mere outsiders attempting to criticize the management of something of which they know nothing, and in doing which they only expose their ignorance. We cordially agree with our respected fellow-citizen, Mr. James O'Brien, in his remarks concerning the telegraph and telephone wires, and the sooner these are put underground the better.

We may also remark in reference to the above two fires, that our firemen at this time of the year have to contend with the difficulties inseparable from our climate, which do not exist in New York. The cold was intense during the fire on Victoria Square, while in New York it was quite mild, being little if any below freezing point, with a warm sun and no wind to speak of. Before our New York friends begin to throw blame upon our fire department, they had better look nearer home, and remember the adage that "those who live in glass houses should never throw stones."

THE LANCASHIRE INSURANCE COMPANY.

In our last issue we hastily noted the changes which have taken place in the conduct of the Canadian business of the Lancashire, involving the establishing of a regular branch office at Toronto in place of the former general agency arrangement. We are now able to state more at length that the change involves the voluntary retirement of Mr. S. C. Duncan-Clark, for many years the chief agent, and the appointment of Mr. James G. Thompson, for some eight years associated with the former, to the position of manager of the branch office. For twenty-seven years the Lancashire has been represented in the Dominion, and during that time has become well and favorably known as a company able to furnish solid indemnity to its patrons and always characterized for its equitable dealing and steady progress. The scope of its present plans gives promise of enlarged operations in this country which are calculated to add alike to its usefulness and its popularity. Its past history as one of the factors in Canadian underwriting is highly creditable to the gentlemen who have been its representatives, and especially so to its general agent at Toronto.

MR. S. C. DUNCAN-CLARK.

This well known underwriter, in retiring, as we understand, permanently from the insurance field, carries with him the cordial good wishes of his former underwriting associates, among whom we hear universal expressions of regret that they should lose the companionship of one so long conspicuous in their ranks. Mr. Duncan-Clark is a Scotchman, and has been known in Canada since 1864, at which time he came to Toronto from London, where he was connected with the London & Westminster Bank. He was accompanied by his brother, Mr. Henry Duncan, with whom and Mr. Hugh Scott he was associated in the agency of the Lancashire and the Western of England for Ontario, himself and brother in the meantime engaging in the oil business which involved the investment of considerable capital. The business, however, proved to be unsuccessful, and resulted in serious loss. In 1886 the insurance partnership was dissolved, Mr. Scott taking the Western and Mr. Duncan-Clark and his brother keeping the Lancashire, though by the return of the latter to England not long after, the former became its sole representative in Ontario. Later, when Mr. Hobbs resigned the agency of the Lancashire for the Province of Quebec, it was added to Mr. Duncan-Clark's territory, and later still he was authorized to operate in Manitoba and the Northwest Territories. In the Fall of 1891 British Columbia became a part of his general agency, thus comprising altogether, it will be seen, the principal part of the Dominion. Mr. Duncan-Clark enjoyed alike the entire confidence of his underwriting associates and of the company he served, as evidenced by his election to the presidency of the Canadian Fire Underwriters' Association by the former, and the reluctance expressed by the latter upon his retirement. He is now in England with his family, but we understand expects to return to Toronto in the Spring, where, as elsewhere in Canada, he will be cordially welcomed.

MR. JAMES G. THOMPSON,

who, under the new disposition of affairs, becomes branch manager of the Lancashire for the territory previously under the control of Mr. Duncan-Clark, is, we learn, most heartily commended to the company by that gentleman himself, with whom he has been for about eight years associated as chief clerk and otherwise, and where he has gained a practical experience of the company's methods and an accurate knowledge of the entire field and its agents, with whom he is popular. In his circular letter addressed to agents announcing his resignation, Mr. Duncan-Clark, after expressing gratification at the appointment of Mr. Thompson, says that "his experience of the company's methods and his personal knowledge of agency difficulties in Canada will serve to enable him to meet, as nearly as possible, those wants and difficulties which often arise in the trying circumstances met by agents from time to time in their zealous efforts for their company." Mr. Thompson came to this country in 1882, the next year entering the service of the British America, when after a little more than a year he went to the Lancashire, as above stated. It can but be

gratifying to that gentleman that the appointment as manager came to him unsought, and it may well be taken as a recognition of meritorious work performed and of a fitness easily discoverable by those qualified to judge. In this case we are confident that the expectations of the company's general manager and directors will be realized. We wish Mr. Thompson success.

THE IRON HALL, AND ITS IMITATORS.

A correspondent at St. John, N.B., writes us making some inquiries concerning the assessment endowment order known as the "Iron Hall," one of the oldest of these orders, promising an endowment of \$1,000 in seven years. The immediate occasion for this inquiry is that the "Order of Unity," a Massachusetts concern also of the seven year variety, for some time past humbugging the people of the Lower Provinces, largely justifies its absurd promises by the alleged experience of the "Iron Hall," which has paid not a few of its endowments at maturity. We thoroughly exposed the inability of the "Order of Unity" to perform its promises in the CHRONICLE of January 15, 1890, about the time of its advent in Canada, and have since from time to time given it attention. We have during the past few weeks chronicled the flat failure of numerous of these endowment orders, thirteen of which were in Massachusetts alone, where in some cases the managers have been prosecuted in the courts for fraud. These failures furnish such convincing proof of the rottenness of all these concerns—for they are all substantially alike in principle—that the people's eyes are opened to their true character where they are best known in Massachusetts, the hot-bed of the system, and their days are numbered. So far as the "Iron Hall" and other six and seven year orders are concerned, they will obviously last a little longer than the one two and three year orders, for the simple reason that they have a longer rope. It has an end, however, and it is already in sight. We cannot do better than to here reproduce what Insurance Commissioner Merrill of Massachusetts said of the "Iron Hall" in his official report for 1890. Here it is:—

In this connection it is interesting to recall some of the predictions made as to the pioneer of these corporations—the Iron Hall—when it was seeking, three years ago, legislation to legalize its existence in Massachusetts. In reply to statistics of the insurance commissioner demonstrating the absurdity of its pretensions, that corporation presented to the Legislature an elaborate computation showing its anticipated increase of membership, lapses and payments through a series of years. A comparison of these predictions with the actual results, as shown by its reports, demonstrates that it is safer to prophesy after you know: In this printed statement the increase in membership during 1890 is estimated at 24,781; it actually was but 8,041. The total membership at the close of the same year was estimated, deducting lapses, at 74,343; it actually was but 53,906. The terminations by lapse during 1890 were estimated at 8,260; the actual number was 2,897. And as an illustration of how little the officers of this corporation know as to the actual condition of its affairs, the number of maturing certificates during 1890, the simplest matter of bookkeeping, is in this pamphlet stated to be 794, when the report to this department shows the number actually paid to have been 898, an excess in payments of \$104,000, less advances made on account of sickness, and this, like all of the discrepancies, against the corporation. The number of assessments necessary to be made in 1890 to successfully carry out the scheme was stated in this official pronouncement to be twelve; in fact the corporation did levy eighteen, just fifty per cent. increase in cost over its own prophetic exposition of "The Problem Solved." These figures,

from its own official reports, are the best possible confirmation of the declaration three years ago and since of this department, that the scheme of the Iron Hall, as presented, was morally wrong and mathematically impossible.

This clear statement points out the wide difference between promises and estimates and actual facts among the best of these concerns. As is well known, their managers confuse and abuse the uninformed masses by juggling with figures, to show that it is because of such a large number of lapses—those going out leaving their money for the benefit of those staying in—that they will be able to perform their wonderful promises. To say nothing of the injustice of such a scheme of wholesale confiscation, this pretentious bubble is effectually pricked by the statement of the Massachusetts insurance commissioner, that a fair average of the lapses in the long term orders, *i. e.*, those of five years and over, was only 6.4 per cent. in 1890. On the theory that from \$300 to \$350 will be paid in during the seven years by each continuing member, out of which must come all expenses, any schoolboy ought to be able to see the mathematical impossibility of paying legitimately \$1,000, even though twice 6.4 per cent. of the members were to drop out, and even though every dollar not used for current claims and expenses were kept invested at six per cent. compound interest. But the "Iron Hall" has paid many endowments at the time promised. Certainly, but how? By simply robbing Peter to pay Paul. So long as new dupes can be found to pour money into the hopper, the grists of those who are far enough ahead of them can be ground out of course. But when no new members can be gathered in, leaving those already in limited strictly to the earning capacity of their own contributions, how are they to get \$1,000 out of \$300 in seven years? The principal getting which they will experience, after expenses are paid, is clearly to get left.

THE TRAVELERS INSURANCE COMPANY.

The annual statement of the Travelers' Insurance Company for 1891, which elsewhere we lay before our readers, will be recognized as a good one, though the public have learned during twenty-eight years of acquaintance with the company to look for just this kind of an exhibit. The total assets show an increase during the year of \$1,368,645, making a total of \$13,368,645 as a solid guarantee for the discharge of all its obligations. After providing a reserve to meet all liabilities under existing policies, accident and life, of \$10,921,454, and \$202,092 for current obligations, a surplus as regards policyholders remains of \$2,489,566—a gain over the previous year of \$408,822. The popularity of the Travelers is shown by the amount of new insurance issued during the year, amounting in the life department to \$15,925,929, while in the accident department it has issued almost a hundred thousand policies—96,126. In both departments the company has paid since organization almost \$21,000,000 to policyholders for losses, \$1,720,994 of which were paid in 1891.

Year by year this company has steadily enlarged its field of operations, until it is familiarly known everywhere and as confidently trusted. This trust is found-

ed on a knowledge of its resources and the high character of its managers, who have demonstrated their ability to secure for their patrons the best possible results. To hold a policy in the Travelers is to feel that sense of security in its loss paying ability which one feels with a Bank of England note in his pocket. We notice that the business in Canada during the past year shows a very handsome increase over the previous year, in keeping with its past record, which has been a good one and highly creditable to Chief Agent Wm. Hanson of this city, who is well known for his reliable character and excellent work.

INSURANCE COMPANY OF NORTH AMERICA.

For a hundred years the Insurance Company of North America has been making history on this continent; and instructive history it is, for it tells of the varied experiences of prosperity and adversity which have come and gone with the changing years, and that amid them all it has ever stood unmoved in its conscious strength, promptly redeeming its promises of indemnity for loss, until now the total of the loss payments made aggregate the enormous sum of more than \$63,000,000. The annual statement of the company for 1891 runs as usual to large figures, and, as presented in summary upon our front cover, repeats the story of large transactions successfully achieved. In comm n with all the companies the losses of the year have been unusually large, but have only served to show how little the adverse experiences of a single year can affect a company of such magnitude. It closes the year with a surplus, so far as policyholders are concerned, of \$5,225,471, and a net surplus over all liabilities, including its \$3,000,000 of cash capital, of \$2,225,471. The total income, of which about \$5,000,000 were from premiums, amounted to \$5,417,449, and the total expenditures (excepting current dividends), of which about \$3,131,000 were for losses, amounted to \$4,624,560, leaving an excess of income reaching the sum of \$792,889. The large addition of \$326,701 has been made to the assets, bringing the total up to \$9,278,220. The steady growth of the North America will be readily seen by the following comparisons for twenty years in five year periods:—

Year.	Total Assets.	Net Prem. Income.
Dec. 31, 1871	\$3,212,176	\$2,488,701
" 1876	6,520,241	3,184,104
" 1881	8,739,262	3,280,806
" 1886	8,429,491	3,468,022
" 1890	8,951,519	4,465,832
" 1891	9,278,220	5,006,697

The men who have directed the affairs of this company have long been known among underwriters for strength of purpose, mature judgment and ripe experience of no common stamp. Mr. Charles Platt, the president, has surrounded himself with men of the best caliber, and who in co-operation with such a recognized leader easily keep the company well to the front of the insurance column. The company has been fortunate in its manager for Canada, Mr. Robert Hampson, who has for many years been in charge of the marine branch, and for two years has managed its general business for the Dominion. Like the company he represents, Mr. Hampson is a safe man, long known in business circles

for his sterling qualities, and as a man of sound methods and untiring industry. His business leads all others in the marine branch in Canada, and he naturally points with pride to the payment of more than \$3,000,000 in losses, every claim for which has been settled without an appeal to the courts. Under its present excellent management the North America may confidently be counted on to make an increasingly creditable record in Canada.

LIFE ASSURANCE IN CANADA FOR 1891.

We herewith present the results of the life business for 1891 in Canada, as shown by the new assurance issued, premiums received, and total business in force; also comparing the new issues with those of 1890. The figures here given have been kindly furnished the CHRONICLE direct by the various companies.

Company.	New assurance issued and taken 1890.	New assurance issued and taken 1891.	Total assurance in force at end of 1891.	Total net premiums received in 1891.
	\$	\$	\$	\$
Canadian Co's.				
Canada Life	5,180,740	4,959,200	56,218,318	1,622,464
Confederation	3,034,383	3,004,606	20,870,733	691,203
Dominion Life	421,000	403,000	843,000	22,783
Dom. Safety Fund	110,000	.....	.....	.....
Federal Life	2,198,600	1,731,500	10,860,837	212,331
London Life	1,691,362	909,172	2,758,562	99,130
Manufacturers	2,398,650	2,117,578	7,413,761	184,684
North American	2,284,743	2,393,933	11,148,181	342,641
Ontario Mutual	2,160,650	2,428,950	14,934,807	456,704
Sun Life †	2,764,776	4,012,516	19,436,962	746,524
Temp'nce & Gen'l.	1,277,000	1,464,000	4,068,271	90,182
British Co's.				
British Empire †	1,027,900	800,000	6,000,000	214,000
London & Lanc.*	1,104,050	1,095,650	6,385,928	209,280
Standard	1,063,900	.....	.....	.....
American Co's.				
Ætna Life	945,945	.....	.....	.....
Equitable	2,933,111	.....	.....	.....
Germania	358,000	.....	.....	.....
Mutual Life	2,740,739	.....	.....	.....
New York Life	3,070,250	.....	.....	.....
Provident Savings	887,000	.....	.....	.....
Travelers	637,950	821,432	4,640,982	106,421
Union Mutual	470,020	.....	.....	.....
United States	483,500	997,200	1,958,025	39,914

* Approximate, Premiums net cash. † Approximate. ‡ Total business.

WATERLOO MUTUAL FIRE INSURANCE CO.

The twenty-ninth annual statement, being for the year 1891, of the Waterloo Mutual Fire comes out promptly and appears upon another page. The report shows that an increase in business has been experienced, the policies issued numbering 6,614 and the total number in force being 15,521. The amount insured thereunder at the close of the year was \$14,742,794, an increase in policies of almost a thousand, and of insurance almost a million dollars. The assets of the company, exclusive of premium notes, in excess of liabilities, show a very handsome increase over the previous year, and the assets, including premium notes, above liabilities (including reinsurance fund) are \$242,737 as compared with \$216,980 a year ago. The total earnings of the company were \$127,238. The losses paid show a diminution from the preceding year, having been, all told, \$56,493 against premiums and assessments of \$123,594. The Waterloo is under the direction of gentlemen who enjoy the confidence of the community where they reside, and its affairs are evidently looked after with care and fidelity.

THE EXAMINATIONS OF THE NEW YORK LIFE

Our readers will not fail to notice the addition of a large number of closely printed pages to this issue of the CHRONICLE containing *entire* the report of the New York insurance superintendent and his deputy, on the affairs and management of the New York Life insurance company. The examination by the Insurance Superintendent was begun on June 21 last, and was completed on the 9th of January, almost seven months having thus been given to the investigation. Though it was generally expected by the public, and by Deputy Superintendent Shannon himself, that a much shorter time would suffice for the examination, it is not surprising, when the ground covered is considered, that a thorough survey should be the work of many months. The value of real estate owned, the condition of mortgage loans, the investments in stocks and bonds, the buildings owned, the valuation of policies, and many other features of the financial condition, had to be examined into personally and by expert deputies, not only at home but in several foreign countries. Added to this financial quest, an investigation extending over a series of years into the definite and formal charges of mismanagement by the company's officers, as made by its former cashier, was required.

As we have predicted, and well posted people have confidently expected, the financial condition of the New York Life is found by this official examination to be entirely sound and satisfactory. On June 30 last, the total assets are found to have been \$120,710,691, while the liabilities were \$106,002,015, leaving as surplus \$14,708,676. Of this amount \$8,670,540 belongs to tontine, and \$6,038,136 to other policyholders. The above assets are nearly \$5,000,000 more than reported by the company on Jan. 1, 1891 and the liabilities show a like increase, whatever slight reduction is apparent in surplus, as compared with the January report, being mainly due to reduced real estate values in the Superintendent's report. That official congratulates the public and the policyholders on the condition of the company as found by the examination, and pays a deserved tribute to its possibilities for the future. In view of this official announcement of its thoroughly sound condition and strong position, both agents and policyholders who are wise will give the company their unreserved confidence, and not allow themselves to be alienated by interested rivals. It will serve the best interests of all concerned to do so. It will be seen that the Insurance Superintendent, while endorsing the strength and soundness of the company, finds cause for severe censure of Mr. Beers, the president, and other officials responsible for its past management, in connection with the agency department, some special expenditures, and the manner and extent of stock and bond purchases. We can but share the widely expressed conviction, in view of the cold facts set down in the report, that mistakes have been made and repeated by the management for some time past, and that unfortunately they are such mistakes as a critical public will be slow to overlook. In view of facts as

they now stand, and the necessity, which must be apparent to every reflecting mind, that this splendid company shall continue to hold the general confidence which its condition merits, we believe that some changes in the management, including the presidency, should take place. We think that Mr. Beers himself will come to recognize this fact, and that an amicable arrangement will be made by which he may honorably retire after his long service. Unquestionably the present strong condition of the company is largely due to the energy and planning of Mr. Beers, who for many years has been connected with it, and his retirement can hardly be contemplated as one would contemplate the discharge of a clerk or a cashier. Any reconstruction of the managing force should evidently be conducted with an honest desire on all hands for the company's good, with a view to the least possible disturbance of the existing organization, and having due consideration for those who may retire. It gives us pleasure to believe, that in due time such changes as the occasion demands will be quietly and pacifically made, and that the New York Life will go on enjoying the unreserved confidence of the public and growing stronger year by year. In the event of a change in the presidency, we suggest that it would seem desirable, if such a man is found available possessing the required qualifications, to select for that position some one now connected with the company and well acquainted with all its methods of working and past experiences. The mistakes which have been made may easily be retrieved and the company in the future stand even stronger than before. This must be the wish of every right-minded man or woman, and whatever is necessary to such a result will be welcome by all who are not its wrong-minded enemies.

THE ÆTNA INSURANCE COMPANY.

The old Ætna Fire Insurance Company of Hartford, which has so long stood at the head of the long list of American fire insurance institutions in more senses than one, presents its annual statement for 1891; and after seventy-two years of acquaintance with the public again demonstrates its ability to cope with a year's experience of unprecedented losses to the country in general, without being in the least disturbed. A little falling off in surplus there has been; but as the net surplus still reaches \$3,702,019, and its loss-paying ability, including its \$4,000,000 of cash capital, stands at about seven and three-quarter millions of dollars, the company is prepared to go on furnishing insurance that insures beyond all contingencies. With a total income for the year of \$3,789,391 and total expenditures of \$3,597,751, it has been able to add to its large volume of assets a respectable sum, swelling the total to \$10,659,139—a gain for the year of \$201,642. Its underwriting experience for such a year as the one just closed must be looked upon as a favorable one, for with net premiums amounting to \$3,326,488 and losses paid amounting to \$1,844,990, the loss ratio is but 55.46 on the total fire and inland business, and about 57 per cent. on the fire business alone. This shows the exercise of that good underwriting ability which has long been

characteristic of the management, from President Goodnow down to the carefully selected and well trained agent in the field. The general agency of the Ætna in Montreal is in the hands of Mr. F. W. Evans of Wood & Evans, who is a worthy representative of such a company. The Ætna has during its history paid in indemnity to the public for losses the enormous sum of \$68,116,000, and will go on indefinitely supplying from its ample resources the annual waste of the fire fiend.

FIRE PREMIUMS AND LOSSES, 1891.

COMPANIES IN THE UNITED STATES.

COMPANY.	Net Prem's.	Losses incurred.	Ratio of loss.
Ætna, Hartford.....	\$3,175,168	\$1,950,301	61.4
†American, N.Y.....	1,284,739	636,416	49.5
American, N.J.....	464,089	252,172	54.3
†*British America.....	542,477	406,431	74.9
†City of London.....	421,121	294,789	70.0
Commercial Union.....	2,909,193	1,756,056	60.3
†Continental, N.Y.....	2,409,268	1,412,907	58.6
Connecticut Fire.....	1,279,837	804,920	62.7
†Fireman's Fund, Cal.....	1,236,765	690,962	55.9
Franklin Fire, Phila.....	486,644	317,024	64.2
†German-American, N.Y.....	2,635,721	1,573,795	59.7
Germania, N.Y.....	1,188,451	666,076	56.0
Greenwich, N.Y.....	1,019,674	903,693	88.6
Guardian, London.....	1,093,937	788,762	72.1
Hartford Fire.....	3,260,916	2,137,008	65.8
Home, New York.....	4,745,631	2,651,554	55.9
Ins. Co. of North America.....	3,329,732	2,240,452	67.3
†Imperial, London.....	1,159,576	903,415	77.9
Lancashire.....	2,804,298	1,436,611	51.2
Lion Fire.....	501,776	313,100	62.4
†Liv. & Lond. & Globe.....	4,813,522	3,152,174	65.5
London & Lancashire.....	1,813,330	1,205,886	66.5
London Assurance.....	.....	.....	.....
Manchester Fire.....	.....	.....	.....
New Hampshire Fire.....	769,516	449,556	58.4
Niagara, N.Y.....	2,038,128	1,305,057	64.0
North British & Mercantile.....	2,159,207	1,594,972	73.8
†Northern.....	1,117,127	798,548	70.6
Norwich Union.....	1,371,540	844,555	61.5
Orient, Hartford.....	1,145,650	726,787	63.4
Pennsylvania Fire.....	1,302,168	895,000	68.7
Phoenix, Hartford.....	2,907,910	1,931,964	66.4
Phenix, Brooklyn.....	3,733,085	2,394,112	63.4
Phoenix, London.....	.....	.....	.....
Royal.....	4,027,911	2,733,541	67.8
Scottish Union & National.....	713,336	457,087	64.0
Sun Fire.....	1,755,176	1,167,533	66.5
†Union of London.....	181,357	35,872	19.7
†*Western Toronto.....	1,249,534	872,417	69.8
Westchester, N.Y.....	1,049,994	645,729	61.5

* Includes Inland Marine.

† Fire Losses "paid" instead of "incurred."

MR. CHARD ON JUMBO LINES.

Mr. T. S. Chard, the manager at Chicago of the Fireman's Fund insurance company of San Francisco, whose opinion is always worth listening to, says:—

Every now and then some underwriter—usually a novice—is struck hard with the idea that if he can carry a line of \$1,000 on a given risk, at, say, a 1 per cent. rate, he can as safely carry a hundred times the line on a hundred times the premium.

Experience sufficiently prolonged demonstrates the fact that the theory well stuck to and faithfully carried out ends in destruction to the experimenter, but we have not happened to see in print the reason why this should be so. We will venture the following solution of the enigma. Jumbo lines can only be exploited upon jumbo risks. The neat dwelling house which cost \$2,500 to construct does not require a jumbo policy,

nor does the corner grocery whose stock can be carried out in case of threatening fire. It is only where "area," with its multifarious hazards, inextinguishable fires, immovable stocks and concentrated values demands large insurance that the jumbo underwriter finds a field for operation. But such risks never have and probably will never pay an adequate rate. To quote a remark made by Mr. Peter Notman in 1880 in reference to another matter: "This kind of business is like self-righteousness—the more you have of it the worse you are off." It is the property that does not need jumbo insurance which affords what little profit there is in the business. The jumbo theory is therefore absurdly wrong, and represents the exact opposite of correct practice, which we take it is this: If a hazard be multifarious, of very large area, and inadequately rated, the less you have at risk the better it will be for you in the long run. "Small lines well scattered" is a maxim which reveals one reason for the success of the Hartford companies and that of the Fireman's Fund. We may mention another objection to jumbo lines: They destroy the symmetry of the business. All classes of risks have their "off years," and there are years when the great wholesale risks burn one after another. Then these disproportioned lines resolve themselves into losses whose magnitude are a terror to directors and stockholders, affecting the stability of the company. Such losses cut deeply into the net surplus, and generally cause a change of policy with decreased receipts, leaving lines to carry which threaten bad results in event of further fires among them.

FIRE INSURANCE IN CANADA, 1891.

We present, as in former years, our full page table in this issue, showing the results of the fire insurance business in Canada for 1891, compared with previous years, several weeks in advance of the Government reports, the figures being kindly furnished us by the companies. That the results should compare unfavorably with former years was to be expected, though on the whole we think the showing will be found less unfavorable than many have supposed. Our table includes all the companies, excepting the Agricultural insurance company, which we have estimated so as to form our totals, which will not vary enough from the actual figures to materially affect our ratios. The total premiums received by the Canadian companies in 1891 we find to have been \$1,362,640, and the losses incurred \$858,653, and the loss ratio 63.01. The premiums for 1890 were \$1,214,196, the losses \$740,541, and the ratio 60.9.

The British companies show for 1891 total premiums of \$4,234,994 and losses \$2,615,798, the ratio being 61.77. In 1890 the premiums were \$4,071,452, the losses \$2,275,293, and the ratio 55.8. The American companies in 1891 received \$653,663 in premiums, incurred \$397,073 in losses, the ratio being 60.80. In 1890 the premiums were \$520,292, the losses \$319,351, and the ratio 61.3. Looking at the total business in Canada for all companies, we find that the premiums received were \$6,251,297, the losses \$3,871,464, and the ratio of loss 61.93. In 1890 the total premiums for all companies were \$5,805,940 and the losses \$3,335,185, the ratio being 57.44. It will thus be seen that the loss ratio on the aggregate business of 1891 was a trifle more than 4 per cent. in excess of 1890. The increased ratio, it will be seen, is due to the British and Canadian companies.

FIRE INSURANCE BUSINESS IN CANADA FOR THE YEAR 1891.

WITH COMPARATIVE RESULTS FOR THE YEARS 1886, 1887, 1888, 1889 AND 1890.

Compiled by THE INSURANCE & FINANCE CHRONICLE from figures supplied by the companies.

COMPANIES.	LOSS RATIO To Premium Receipts.				BUSINESS OF 1890.			BUSINESS OF 1891.		
	1886.	1887.	1888.	1889.	Net cash received for Premiums.	Net Losses incurred.	Per ct. of Prem.	Net cash received for Premiums.	Net Losses incurred.	Per ct. of Prem.
CANADIAN OFFICES. <i>(Canadian Fire Business only.)</i>										
British America.....	58.00	68.81	68.74	57.2	204,476	130,294	63.7	105,144	162,634	83.08
Citizens.....	68.00	80.03	66.70	60.8	187,409	170,486	90.9	277,520	171,910	61.94
Eastern.....				00.7	99,777	49,461	49.5	126,231	69,595	55.13
*Mercantile, Waterloo.....	71.50	65.32	53.25	62.7	96,192	52,735	54.8	102,253	42,267	41.34
Quebec.....	57.71	80.05	68.79	68.7	113,095	54,370	48.0	111,147	71,013	63.89
Royal Canadian.....	90.25	77.48	71.44	64.8	178,056	115,717	64.9	216,393	139,569	64.50
Western.....	52.62	51.46	49.02	46.3	335,190	167,478	49.9	333,952	201,675	60.39
Totals.....	64.37	69.96	64.55	55.9	1,214,196	740,541	60.9	1,362,640	858,653	63.01
BRITISH OFFICES.										
*Atlas.....		65.86	55.93	49.9	63,701	48,670	76.4	59,425	48,196	81.10
*Caledonian.....	80.82	64.79	64.30	67.7	103,589	71,486	68.9	99,109	81,834	82.57
City of London.....	87.98	78.73	65.49	55.4	140,758	84,642	60.1	148,404	74,162	49.97
Commercial Union.....	74.58	71.73	48.43	54.9	318,697	169,639	53.2	349,388	203,803	58.33
Employers' Liability.....		32.78	70.65	47.7	63,730	42,218	66.2	68,352	44,577	65.21
Fire Ins. Association.....	66.45	89.86	73.50	48.8	113,900	63,356	55.6	104,377	64,432	61.75
Glasgow and London.....	70.68	73.22	68.48	68.5	179,633	131,828	73.4	Discontinued.....		
*Guardian.....	67.28	74.17	53.55	56.4	195,007	145,982	74.3	182,491	151,824	83.19
*Imperial Fire.....	66.13	47.56	41.19	40.1	211,895	100,751	47.5	206,483	93,011	45.05
*Lancashire.....	71.56	49.62	44.66	55.4	253,229	129,058	50.9	254,232	186,243	73.25
Liv. & Lond. & Globe.....	87.93	71.38	49.86	34.6	279,594	106,395	38.0	287,915	183,145	63.61
*London & Lancashire.....	56.73	56.96	36.34	29.2	167,692	96,045	57.2	172,929	75,693	43.77
London.....	77.79	69.53	46.79	20.4	86,874	39,027	44.9	90,413	34,551	38.21
*Manchester.....					53,067	14,806	27.9	97,721	55,086	56.37
*National of Ireland.....	98.16	80.48	53.87	43.4	75,138	55,485	73.8	73,695	61,519	83.48
Northern.....	89.27	69.16	55.92	48.6	179,523	131,754	73.2	174,870	102,576	58.66
North British and Mercantile.....	62.43	64.08	55.41	62.2	313,247	184,914	59.0	343,989	237,821	60.14
Norwich Union.....	57.43	69.61	46.93	45.0	93,026	59,263	63.7	99,342	67,514	67.96
Phoenix, London.....	69.83	53.13	48.60	35.3	228,449	120,770	52.8	227,610	134,061	58.89
Queen.....	61.52	56.79	45.34	42.6	262,485	120,023	45.7	261,900	124,880	47.68
Royal.....	49.37	61.55	53.32	42.9	552,723	209,784	54.2	535,725	381,953	71.30
Scottish Union & National.....	26.25	46.25	51.69	37.4	123,755	52,259	42.2	134,247	84,666	63.06
Union Assurance.....					11,640	7,138	61.3	78,009	32,603	41.79
United Fire Re-Insurance Co.....								184,368	91,648	49.71
Totals.....	68.01	64.29	53.27	48.2	4,071,452	2,275,293	55.8	4,234,994	2,615,798	61.77
AMERICAN OFFICES.										
*Etna.....	70.59	58.75	55.55	41.6	125,767	88,813	77.7	133,832	83,211	62.18
Agricultural, N.Y.....	68.62	69.33	60.00	90.6	77,541	44,907	57.8			
Connecticut.....	40.90	64.45	55.02	25.4	36,791	17,084	46.4	36,637	15,072	41.12
Hartford.....	56.51	53.88	51.72	38.9	128,684	115,476	89.7	149,421	103,461	69.24
Ins. Co. of North America.....				22.1	26,773	11,473	42.8	45,635	20,368	44.63
Phenix, Brooklyn.....	37.13	144.63	40.58	42.3	72,552	26,932	37.1	67,663	49,646	73.37
Phenix, Hartford.....					52,184	14,666	28.1	142,475	80,315	56.37
Totals.....	58.44	72.42	52.83	48.0	520,292	319,351	61.3	653,663	397,073	60.80
RECAPITULATION.										
CANADIAN OFFICES.....	64.37	69.96	64.55	55.9	1,214,196	740,541	60.9	1,362,640	858,653	63.01
BRITISH ".....	68.01	64.29	53.27	48.2	4,071,452	2,275,293	55.8	4,234,994	2,615,798	61.77
AMERICAN ".....	58.44	72.42	52.83	48.0	520,292	319,351	61.3	653,663	397,073	60.80
GRAND TOTALS.....	66.09	65.66	55.58	49.0	5,805,940	3,335,185	57.44	6,251,297	3,871,464	61.93

* Approximate. † Not including Nova Scotia. ‡ Brit. Col. not included. § Not including New Brunswick.

GENERAL RECAPITULATION FOR SIX YEARS.

YEARS.	Premiums.	Losses.†	Per cent.
Business of 1886.....	\$ 4,911,984	\$ 3,263,144	66.09
Business of 1887.....	5,217,366	3,436,210	65.66
Business of 1888.....	5,540,008	3,024,011	55.53
Business of 1889.....	5,553,391	2,767,320	49.00
Business of 1890.....	5,805,940	3,335,185	57.44
Business of 1891.....	6,251,297	3,871,464	61.93
Total 6 years.....	\$33,279,986	\$19,697,334	59.18

Financial and Statistical.

THE DECEMBER BANK STATEMENT.

Although the showing of increases and decreases for December over the previous month differs but little from preceding years, taking it as a whole, the comparison with the same month 1890 assures us beyond doubt we have had a prosperous year, and bears conviction upon its face. We find foreign balances increased over 100 per cent. in the United States and over 33 $\frac{1}{3}$ per cent. in the United Kingdom. We cannot deal accurately with the loans, owing to the changed headings in the return. Under the new Act they are now distributed differently, and rather than make our abstract misleading we leave blank those items which we cannot ascertain with accuracy. Foreign balances increased during the year over 11 $\frac{1}{2}$ millions. Overdue debts decreased. Bank note circulation is higher than on the same date a year ago, and deposits of the people have added nearly 19 millions to their previous showing. We find a healthy increase in capital stock and reserve fund sufficient to show that a good harvest has been reaped by the banks. Under the new Act an additional security is added to the extent of \$843,075, to cover the redemption of bank notes should an emergency call for it.

Our faith in the future of the year just entered upon is great. We take into consideration that much of the agricultural products remain still on the farm, owing to the state of the roads during the month of December. Ontario and Quebec we believe to be specially affected and this reserve should be disposed of during the present month and should add to the showing a month hence. By the representatives of loan companies and agricultural agents we are assured that payments are better than for years past, and that the feeling throughout the

country is that the result of the bountiful harvest will give good results during the coming summer. The country merchants do not seem so well satisfied with the result as the farmers. They seem to think that business during December has not been what it should have been, but their portion may have been permitted to stand until the payments on mortgage and interest had been provided for. We give herewith the amount of bank notes reported at close of year :—

1880	\$27,328,358	1886	\$34,578,347
1881	32,358,844	1887	34,354,595
1882	36,501,694	1888	34,785,486
1883	33,589,454	1889	33,577,700
1884	31,935,933	1890	35,006,274
1885	32,363,992	1891	35,634,129

The increase in capital and reserve fund which is noticeable in banks throughout the Dominion during the month is as follows: subscribed capital \$53,800; paid up capital \$65,103; reserve \$311,318. Under the new Banking Act a statement is called for of all dividends remaining unpaid for more than 5 years, and all amounts or balances in respect to which no transactions have taken place or upon which no interest has been paid during 5 years. We look for an interesting report, and have no doubt many may come by their own just dues by a perusal of the document, the extent of which at present we have no idea.

Among the interesting features of the exhibit of the department assigned to the British Empire at the World's Fair will be an exhibit from Cape Colony, South Africa, of the process of diamond mining in all its phases, from the time the rough gems leave the mouth of the mining shaft until they reach the hands of the jeweller. The crushing of the clay containing the gems, washing the crushed earth, "cradling" the pebbles washed out, hand-sorting of the small stones, and cutting and polishing will all be shown in regular order. In the Cape Colony exhibit will also be a mass of crystal on a pedestal equal in weight to all the diamonds found in the Kimberly mines since 1870.

STATISTICAL ABSTRACT OF THE CHARTERED BANKS IN CANADA.

Comparison of Principal Items.

<i>Assets.</i>	31st Dec., 1891.	30th Nov., 1891.	31st Dec., 1890.	Increase and Decrease for month.	Increase and Decrease for year.
Specie and Dominion Notes.....	\$15,882,353	\$15,887,697	\$16,229,270	Dec. \$5,344	Dec. \$ 346,917
Notes of and cheques on other Banks.....	9,119,736	8,195,716	11,050,416	Inc. 924,020	Dec. 1,930,680
Due from American Banks and Branches.....	18,464,364	20,364,542	9,199,504	Dec. 1,900,178	Inc. 9,264,860
Due from British Banks and Branches.....	6,337,591	5,735,420	4,031,652	Inc. 602,171	Inc. 2,305,939
Canadian Municipal Securities and Brit., Prov. or } For'gn. or Col. Pub. Securities other than Dominion }	6,438,105	6,345,799		Inc. 92,306	
Railway Securities.....	4,825,965	4,046,099		Inc. 779,866	
Loans on Stocks and Bonds on call.....	14,401,695	13,235,807		Inc. 1,165,888	
Current Loans to the Public.....	186,590,602	187,847,645		Dec. 1,257,043	
Overdue debts.....	2,656,588	2,654,123	2,758,391	Inc. 2,465	Dec. 101,803
Total Assets.....	280,754,661	280,816,703	260,137,159	Dec. 62,132	Inc. 20,617,502
<i>Liabilities.</i>					
Bank notes in circulation.....	35,634,129	37,430,690	35,006,274	Dec. 1,796,561	Inc. 637,855
Due Dominion Government.....	3,238,857	2,463,104	3,524,884	Inc. 875,753	Dec. 286,027
Due Provincial Governments.....	2,644,732	2,722,647	2,135,163	Dec. 77,915	Inc. 509,564
Deposits made by the public.....	152,807,542	149,701,501	133,933,528	Inc. 3,106,041	Inc. 18,874,014
Do. payable on demand, or after notice between Bks.	2,830,933	2,886,614	2,232,303	Dec. 55,681	Inc. 598,630
Due to American Banks and Branches.....	216,374	166,164	125,410	Inc. 50,210	Inc. 90,964
Due to British Banks and Branches.....	1,416,382	1,646,770	1,412,382	Dec. 230,388	Inc. 4,000
Total Liabilities.....	199,453,832	198,166,352	178,826,551	1,287,480	Inc. 20,627,281
<i>Capital.</i>					
Capital paid up.....	61,299,305	61,234,202	60,057,235	Inc. 65,103	Inc. 1,242,070
Reserve Fund.....	23,666,827	23,355,509	21,940,369	Inc. 311,318	Inc. 1,726,458
Directors' Liabilities.....	6,077,636	6,033,314	7,485,465	Inc. 44,322	Dec. 1,407,829

Deposits with Dominion Government for security of note circulation, \$843,075.

NOTE.—Loans on call or Current Loans for year cannot be accurately compared owing to changes in the form of return under the new Banking Act.

Correspondence.

We do not hold ourselves responsible for views expressed by Correspondents.

OUR LONDON LETTER.

Editor INSURANCE AND FINANCE CHRONICLE:—

The paper on life assurance legislation recently read at the Institute by Mr. Geo. King, with which your readers are already familiar, has given rise to an agreement and divergency of opinion which is somewhat amusing while it is instructive. The gentlemen who engaged in the discussion that followed the reading of the paper were almost unanimous in their praise of Mr. King's statement of the case for "publicity and freedom;" but when they began to criticise the suggestions he made for improving the working of the Acts, they were equally unanimous in their disapproval of those suggestions. Considerable difference of opinion has pervaded the press criticisms that have been made; but having thrashed the subject well out, there appears to be some residuum of agreement with regard to the following points: 1. That the Board of Trade should have power given to it to enforce the more prompt rendering of accounts; and 2. That it should be compulsory upon all institutions transacting life business to publish balance-sheets and revenue accounts. Respecting the first point, its importance will be realized when it is known, that under present regulations the accounts published by the Board of Trade in August, 1891, are mostly dated in 1889, so that on the average the accounts are about 18 months old when they are issued to the public. This is an undoubted evil, and should be remedied quickly. With regard to the second point also, the importance of the suggested alteration will be seen when I mention that certain large organizations like the Provident Association of London transacts a considerable volume of life assurance business in connection with its building society schemes; and yet it renders the government no return by which its solvency can be tested. After making all deductions I believe, as I have said before, that when legislation upon the acts above named commences, Mr. King's paper will be of great assistance to those who may engage in it.

NEW COMPANIES.

A short time since I told you, that under the title of "Monarch," a new company with certain novel features had been started, and was being actively promoted. It appears, however, that the infant has been strangled during the process of incubation, and the reign of the Monarch is not to be. I also alluded to the formation of another new company called the "Pioneer," of Liverpool, which is now being floated, chiefly on the lines of the Mutual Reserve Fund of New York; but there is an important departure from the practice of the latter in respect to the mode in which the premiums are collected, *i.e.*, instead of being called in two months after date, they are to be paid quarterly in advance. The payments, however, are regarded as mortuary calls and provision for expenses, and are not to be considered by any means as payments made on the principle of the old line companies. Mr. W. L. Oversby, lately an official of the Mutual Reserve Fund, is to be its manager. It is a coincidence that the promoter of a rival company, whose inception I recently reported, *viz.*, the British Natural Premium Life Association, should have been also an official of the Mutual Reserve. Mr. Hayward, it is said, started his natural premium scheme directly in opposition to the Mutual Reserve, and it is presumed Mr. Oversby has brought out the Pioneer for a like purpose. Let us hope that between its two rivals the Mutual Reserve will have a hot time of it; and that the game of the Kilkenny cats will be repeated in the case of all the three institutions.

THE PROSPECTUS OF THE NATIONAL.

Insurance & Guarantee Corporation, limited, with a capital of £2,000,000, has been issued. The following quotation from the prospectus will explain the object for which the company is formed: "The directors will specially cultivate the insurance of debentures of public authorities, and high class companies,

bank deposits for fixed periods, and the development of the *del credere* system, classes of business which have been long and successfully carried on in the United States and on the Continent, but for which the same facilities do not exist in England to anything like the same extent." The principle of insurance that has been so successfully applied to life, fire, accident, marine, guarantee, and other risks is to be applied to securities and obligations.

OLD AGE PENSIONS.

This subject is again to be discussed. Mr. Ralph Price Hardy, F.I.A., to whom I referred in my last letter, is to read a paper before the Institute of Actuaries on the 25th inst., in which he will doubtless submit his own plans for securing State aid to the aged poor. It is to be hoped that Mr. Hardy will treat the subject from a purely scientific point of view, and if he does so we may expect a really useful contribution towards the elucidation of a scheme which seems just now to occupy the attention of many of the governing bodies in Europe.

VALUATION RATES.

There is a growing tendency amongst the older offices to lower the basis of valuation. The Equity & Law, the Atlas, and the Royal Exchange having already made their quinquennial investigation upon a 2½ per cent. rate of interest, instead of 3 per cent. or 3½ per cent. as formerly, have been followed by the Clerical, Medical and General. As the Clerical & Medical earned over 4 per cent. as interest on its funds during the last quinquennium, it is not easy to see the reason for reducing the valuation rate from 3 per cent. to 2½ per cent., unless it be for the purpose of showing the strength of the office; but heretical as it may appear to say so, "this sort of thing may be carried too far," and the policyholders may be deprived of their rightful profits merely to gratify an actuarial fad. Mr. Editor, there are faddists amongst actuaries as well as amongst doctors and political and social reformers.

MORE AMALGAMATIONS.

Rumor has been busy for some time respecting the transfer of the business of that small but highly respectable institution, the Midland Counties Life & Fire Company to the great and wealthy Royal. Now we learn that negotiations for the union have been nearly concluded. On what terms the larger office is to absorb the smaller one, I am not yet informed; but as the Midland Counties fire business is exceedingly choice and desirable, it may be that a good price will be paid for it—the life business will not count for much. We may safely assume nevertheless that the Royal will not pay too much, as it has a reputation for *not* throwing away money. Several of the London companies have been fishing for the Midland counties, but they have only got nibbles. The Royal has the bite, though the Alliance had a very near chance of it. I shall not be sorry to have to record other amalgamations during the year 1892.

THE INFLUENZA EPIDEMIC

is again amongst us, and is playing havoc with the members of insurance companies. The death rate in London during the week before last rose from 19 to 42 in the 1,000, mainly through the mortality caused by influenza and its results. It is reported that a certain Dr. Pfeiffer of Berlin, a son-in-law of Dr. Koch—has captured, bottled and corked the bacillus of influenza. What will he do with it? Let us hope that he will be more successful than his father-in-law was with tuberculin, if he should experiment for the purpose of discovering an antidote to this troublesome and alarming malady.

VIGILANS.

LONDON, January 13, 1892.

REBATING IN TORONTO.

Editor INSURANCE AND FINANCE CHRONICLE.

I notice in the "INSURANCE AND FINANCE CHRONICLE," issued on the 15th inst., a paragraph referring to several \$5,000 policies issued last month, on which the entire first semi-annual premium had been rebated. I do not know whether the rebater in this case is the same as the one in the case I am about to relate.

I had, personally, been soliciting insurance from Mr. ——— of this city, when he told me that a \$20,000 policy had been issued to him, on which the entire first semi-annual premium had been rebated. I saw the policy which was issued by the ———Life, on its 20 year term plan. I also heard, but do not personally know, that the same company (or its manager) had granted several policies on the same conditions, and that the manager was able to do this because he was granted a bonus on every \$1,000 of insurance effected over a certain amount. I think you will therefore agree with me that it is high time rebating was put a stop to, and also that a manager must be awfully "hard up" for business when he will stoop to such practices.

I do not write this so much to censure the manager of the company above referred to as to confirm the statement made to you by another life manager, whose identity is unknown to me. You are at liberty to make such use of the above information as you may see. I beg to remain,
Yours truly,
Toronto, Jan. 18, 1892. MANAGER.

[We print the above letter just as received, excepting that we have omitted the name which appeared. The letter is from an entirely reliable gentleman, and, coupled with the information from another source, published in our last issue, and above referred to, indicates a state of affairs in every way demoralizing to the business of life insurance, and which can only be effectually ended by comprehensive and stringent anti-rebate legislation. This, we are glad to know, is being sought by both the Toronto and Montreal Life Underwriters' Associations, with favorable prospects of success at the coming session of Parliament.—ED. I. & F. CHRONICLE.]

Notes and Items.

The Quebec Fire insurance company has declared a half-yearly dividend of five per cent.

It seems to be an assured fact that the Midland Counties insurance company of England is about to be absorbed by the Royal.

We understand that Mr. G. W. Girdlestone has been appointed general agent at Winnipeg for the Royal insurance company.

The Standard Fire of New York, whose decision to retire we noted in our last, has reinsured its risks in the Liverpool and London and Globe.

The Fireman's Fire insurance company of Dayton, Ohio, has reinsured in the National of Hartford. It has a good class of risks and a premium income of about \$190,000.

Our thanks are due to the publishers of *Rough Notes* for a bound copy of the last completed volume of that interesting journal from November, 1890, to October, 1891, inclusive.

Speaking of re-insurance contracts, it is a curious fact that experience shows the offices which have re-insured retiring companies to have, as a rule, a lower loss ratio than the reinsured company had.

The Massachusetts mutual fire insurance companies, to the number of twenty-two, have resolved, that wherever the New England Insurance Exchange advances rates they will follow suit, says the *Standard*.

Look out in Canada for a wild-cat insurance concern called the United Fire of Concord, N. H., which has no authority whatever to do business, according to Insurance Commissioner Linehan.

The fire business of the Employers' Liability Assurance Corporation in England has been reinsured by the Economic Fire office. The former abandons the fire business.

The last formal steps have been taken by the shareholders for the dissolution of the "Queen Insurance company of Liverpool," and it no longer has even a nominal existence.

The *Insurance News*, of Manchester, gives a list of 14 British fire insurance companies which have sustained an aggregate loss of capital during the last ten years of £1,535,000, or about \$7,675,000.

The new *Insurance Post* of Chicago looks well and reads well, as we expected it would when the announcement was made that Chas. A. Hewitt was to be the architect of its fortunes. May it live long and prosper.

We must confess that the figures of the Union are rather a surprise to us, and we congratulate Mr. Morrisey on the result of the business of 1891. Net premiums of \$78,009 and losses incurred of \$32,603 or 41.80 per cent.

The ground for the new building in process of erection by the Equitable Life of New York at Melbourne, Australia, cost about \$1,800,000. When the building is completed the investment will amount to about \$2,600,000.

The new life company of Winnipeg, called the Great Western Life Assurance Company, at a meeting of the directors recently decided to place \$300,000 of stock on the market, the most of which it is expected will be taken in Manitoba.

We have seen some very ingenious and unique cards printed in gilt, devised by Mr. Gerald E. Hart, Canadian manager of the Phoenix of Hartford, and designed to remind the receiver of its "time-tried" and "fire-tested" character.

Every subscriber, not in arrears, who will send us his own and a new subscription for 1892 in advance, during February, will receive a copy of "Griswold's Fire Agents' Text-Book," the price of which is \$2.00. This offer is open to insurance agents only.

The American Casualty insurance company has announced that it will insure employes against loss of salary in case of dismissal, providing the dismissal is not because of any wilful or negligent act of the insured. A rate of one per cent. will be charged.

Five of the officers of the Fraternal circle, a Boston endowment humbug, are under arrest on the charge of embezzlement. They got \$50,000 out of the concern, between them. The treasurer of the Bay State League is also in the toils of the law for alleged embezzlement.

We find stated in condensed form, by the New York *Insurance Journal*, the result of Dr. Longer's labors as a committee of one, appointed by the International Medical convention held in London, to ascertain the percentages of suicides in the various armies of Europe. The data used was mainly for the ten years from 1878 to 1888, and the report gives the percentages per annum of suicides on 10,000 lives in each case as follows: Austrian army, 122; German army, 63; Italian army, 40; French army, 29; Russian army, 24; Belgian army, 24; British army, 23; Spanish army, 14.

The assistant Superintendent for New York city of the Metropolitan Life of New York, who personated fictitious claimants and forged endorsements upon checks for claims, and fled to Edinburgh when detected, has been extradited, and on trial convicted and sentenced to Sing-Sing prison for eight years.

Among the recent visitors to Montreal were Messrs. Chas. R. Burt, the secretary of the Connecticut Fire; G. Osborne Essex, assistant secretary of the Lancashire, who was *en route* to New York whence he sails for Manchester; J. G. Thompson, the recently appointed branch manager of the Lancashire; and D. C. Edwards, the secretary of the Eastern of Halifax.

According to the *St. Thomas Daily Times*, an agent of an assessment endowment concern called the order of the Knights and Ladies of Equity, has been in that city, trying to rope in members with a promise of \$200 endowment in one year for a \$5 entrance fee and \$3 monthly. As he soon left for Pennsylvania, it is presumed that the dupes were too scarce to suit the fellow.

We are pleased to learn that, although the new business of the Federal Life for 1891, so far as volume is concerned, has fallen considerably below that of the previous year, yet a very much larger proportion has been written at the level premium rates, largely under limited payment life and regular endowment policies. This will generally be regarded as a commendable move.

A daily contemporary of this city remarks that "no sooner does the city decide to do its own fire insurance than a fire occurs in one of the markets, and there is of course no money to make repairs with." Perhaps the wiseacres who mismanage our civic affairs will one of these days be taught a severe lesson, although unfortunately it may be the rate-payers who will suffer by this penny-wise-pound-foolish policy.

We notice in an account of the settlement of the large estate of Mr. Charles Henry Crompton-Roberts of London, J. P. and high sheriff, and also a prominent varnish manufacturer, who died in November last, aged 59 years, that among the assets were the proceeds of a life policy for £100,000 and bonus additions issued by the Standard Life, so well known in Canada under the management of Mr. W. M. Ramsay.

The Sun Life of this city, with commendable enterprise, has issued a neat souvenir of Montreal and vicinity for distribution, containing well executed full-page photo-engravings of objects of interest. Not the least attractive page is the one from which looks out the genial life-like face of Mr. Robertson Macaulay, the company's president. Information concerning Montreal and its progressive life assurance company fills the alternate pages.

The London and Lancashire Life, as we stated in our last issue, accepted proposals at the last meeting for 1891 of the Canadian Board in this city for \$229,500 of insurance; but we are now able to add, that not only was the amount, with one exception, the largest reported at one time by any life office represented here, but that an exceptionally large proportion of the policies issued under the proposals referred to have been taken and settled for. The manager, Mr. B. Hal Brown, may well be congratulated upon the increasing popularity of his company, one cause for which is found in the fact that all the money received on its Canadian business is invested in Canada—an example which some other companies would do well to imitate.

Another British life company, the Clerical Medical and General, has adopted a standard of valuation for its policies of $2\frac{1}{2}$ per cent., Hm. Table, in place of its former 3 per cent. This is genuine progress of the crab-like kind—backwards. The fact that this same company has regularly realized over 4 per cent. interest on its funds is sufficient comment.

The Fire Underwriters' Association of Cincinnati has unanimously adopted a resolution, increasing rates 20 per cent. on merchandise in stores and warehouses exceeding \$30,000 in value, policies to have the 80 per cent. co insurance clause. On all mercantile buildings on which there is \$10,000 or more insurance, and where there is no 75 per cent. co-insurance clause, 25 per cent. is to be added to the present rate.

The province of Ontario is evidently well abreast of the times in the adoption of the electric light. With a population somewhat less than two millions, Ontario has nearly 4,000 miles of electrical currents, over 400 dynamos, 200 motors, 12,500 arc lights, and 33,000 incandescent lights in use. The motors in daily use in Toronto alone represent more than 300 horse power, while the other principal towns are liberally equipped with the modern illuminant.

Several months ago Insurance Commissioner Merrill of Massachusetts decided that the Employers' Liability Corporation of London could not legally enter upon the business of insuring the owners of passenger elevators and also of horses and vehicles against liability for accidents to persons using them, and the corporation appealed to the Supreme Court. That tribunal has now decided that the prohibited business is perfectly legal under the statute.

An example worthy of imitation occurred at a recent meeting of the Board of directors of a well-known Canadian life assurance company, having its head office in the West, when a resolution was unanimously adopted, subscribing for a copy of the *INSURANCE AND FINANCE CHRONICLE* to be regularly sent to each member of the Board. These gentlemen, unlike some others, recognize the value to them in their work of a first class insurance periodical.

According to the Coast Review chart, received through the courtesy of Mr. Alfred Jones, agency manager at San Francisco of the Western of Toronto, it appears that the Pacific Coast losses paid to premiums received for 1891 were, for California companies, 37.3 per cent.; for companies of other States, 36.5 per cent.; and for Foreign companies, 37.2 per cent., the total average being 36.9, as compared with 42.3 for 1890. The total average for California alone was 36.2 for 1891 and 43.7 for 1890. The Pacific Coast has evidently had a lucky year. The total Pacific Coast premiums were \$1,138,552 more than for 1890 and the losses \$139,924 less.

From the report of the provincial treasurer of the Province of Quebec in the *Official Gazette*, covering the transactions of the Mutual fire insurance companies located in the Province for the year ending August 31st, 1891, we learn that the total income was \$135,089 and the expenditures \$131,370. The total nominal assets were \$1,040,044, including assessment notes for \$871,108 and unpaid assessments \$39,163, leaving the tangible assets at \$129,773. The liabilities reported were \$47,697, no liability being reported as a reinsurance reserve, though the insurance in force is nearly \$21,000,000. The cash assessments and premiums amounted in all to \$105,610 and the losses paid to \$63,800.

Made out of whole cloth.—Not long since our London contemporary, the *Review*, was led to state that the public schools in this city were closed on account of the prevalence of the grippe, and in its last issue it gravely tells how the town of Lachute had been almost totally wiped out by fire. As to the first statement there is no foundation whatever for it; and as to the latter the total fire loss at Lachute will probably amount, all told, to less than £2,000!

We noted in our last issue the collapse of the Progressive Benefit Order, it having been put into the hands of a receiver by order of a Boston court. The sequel as to its "branch" office in Montreal, where for some nine or ten months it operated, is that its office effects, of little value, have been seized for rent and other debts. The two or three hundred fools who went into the concern in spite of our warning are of course out by several assessments each, and with no earthly chance to ever get back a cent.

We have before us a proposal to the shareholders with reference to the readjustment of the capital of the Citizens insurance company of this city, under the provisions of the amended act, as published in our September 1st issue, looking to a decrease of the subscribed and an increase of the paid in capital. We favored this plan two years ago, and now under the stress of competition and the widening of the insurance field, we are convinced that a larger cash capital would greatly add to the company's real prosperity.

We are in receipt of "Bourne's Handy Assurance Directory" for 1892, giving valuable information gathered from the latest reports of the companies in Great Britain, compared with the important items of several previous years. Some new features are introduced, and an improved arrangement in some of the statistical matter is noticeable. Bourne's Directory has become a standard publication of extensive circulation and of unquestionable value. No insurance worker or insurance office can afford to be without it.

It may not be generally remembered that when Mr. James W. Taylor, whose recent death we record elsewhere, arranged to retire from the general agency of the Caledonian insurance company last December, he accepted a pension as consideration instead of a lump sum offered, which latter adjustment was strongly urged by his family and friends instead of the pension. Inasmuch as by his death the company is relieved from the payment of anything, it is suggested that an appropriation now for the benefit of his family would be a graceful act on the part of the directors.

The Toronto Mail three or four days ago printed a lot of ridiculous stuff as a despatch from New York, about a rumor that the presidency of the New York Life had been offered E. B. Harper of the Mutual Reserve Fund, and that a consolidation of the two companies might be effected! We only mention this to shew what superlatively absurd stuff regarding insurance affairs will get into the daily papers, for if it had been announced that Harper had been offered the control of the Bank of England the announcement would have been quite as credible.

PERSONAL MENTION.

THE FIRM OF McMicken & Paterson, general agents at Winnipeg of the Commercial Union, has been dissolved, and Mr. J. Paterson has been appointed its general agent for Manitoba and the Northwest Territories.

MR. M. B. CLEMENS of Berlin has been appointed inspector for the Mercantile insurance company of Waterloo.

MR. G. W. GIRDLESTONE has been elected president, and Mr. R. H. Hayward secretary, of the Fire Underwriters' Association at Winnipeg.

MR. WM. MCBRIDE, B.A., has, we learn, been appointed manager for Manitoba and the Territories for the North American Life, with headquarters at Winnipeg.

MR. J. H. BURGER, New England special of the Norwich Union, has decided to remain with that company instead of accepting, as was supposed, a position with the Lancashire.

MR. J. L. CUNNINGHAM, for twenty years connected with the Glens Falls Fire insurance company, and for some years its secretary, has been elected president in place of Mr. R. M. Little, deceased.

MR. E. B. GREENSHIELDS, the head of the well-known wholesale dry goods firm of E. B. Greenshields & Co. of this city, has been unanimously elected president of the Board of Trade. Mr. Greenshields is a member of the local board of the Standard Life.

IT IS WITH SORROW that we record the death, at his home in Brooklyn, N.Y., on Tuesday last, of Mr. S. W. Pearce, the associate editor of the *Insurance World* of Pittsburg, and long known as an able writer on insurance topics for the *Commercial Bulletin* and other journals. Mr. Pearce was formerly for some years connected with the actuarial department of the United States Life, and was universally esteemed by those who knew him as a good man and a talented journalist.

OBITUARY.—JAMES W. TAYLOR.

The ranks of the insurance fraternity of this city are again broken by the death, after a brief illness, of Mr. James W. Taylor, on Tuesday last the 26th ult., the senior member of the well-known firm of Taylor Bros. Mr. Taylor had been a citizen of Montreal ever since 1834, and was active at an early day in promoting the enterprises which have largely influenced its growth and prosperity. In 1847 Mr. Taylor joined with his brother, Mr. T. M. Taylor, in business as stock and produce brokers, under the name of Taylor Bros., which for many years did an extensive business and has continued to the present day. In 1862 the firm became general agents for the Home & Colonial insurance company, with which they continued until 1866, when the Northern of London having taken over the fire and life business of the former company, they became its representatives. In the same year, we believe, the agency of the Scottish Imperial was offered and accepted, and worked in connection with the Northern until 1882, when the Scottish Imperial discontinued the fire branch of its business, transferring it to the Caledonian, and Taylor Bros. became the agents of the latter, and so remained until January 1st last, when the firm resigned the agency, and Mr. James Taylor, who had all along managed the insurance business of the firm, arranged to retire on a pension by way of compensation. Pending the adjustment of his business at Winnipeg by Mr. Lansing Lewis, the successor of Mr. Taylor, the latter, however, agreed to remain in charge until February 1st, so that literally he died with the harness on. Mr. Taylor will be missed and mourned by a very large circle of friends.

REPORT
OF THE
Superintendent and the Deputy Superintendent
OF THE
INSURANCE DEPARTMENT
ON THE EXAMINATION OF
THE NEW YORK LIFE INSURANCE CO.

INSURANCE DEPARTMENT OF THE STATE OF NEW YORK, }
ALBANY, N. Y., January 19th, 1892.

Pursuant to statute, and by request of the company's Board of Trustees, the undersigned, Superintendent of the Insurance Department of the State of New York, has caused an examination of the conditions and affairs of the New York Life Insurance Company to be made by the Deputy Superintendent of this Department.

His report in regard to said examination, submitted to and filed in this Department on the 9th inst., has received full and careful consideration on my part, as have also the exhibits and schedules thereunto attached; and it appears to me to be appropriate that I should file an expression of my views and opinions in the premises.

This examination was made under my general direction and supervision, and the principal facts and points thereof became known to and were considered by me during the progress of the examination.

To Mr. Shannon was assigned the general and special charge and execution of the work in all its scope and detail, and upon examination and consideration of his report, I fully approve and confirm the same. The report itself bears evidence of the intelligence, integrity and industry exerted and maintained by Mr. Shannon and his assistants, in this able and thorough examination of the New York Life Insurance Company.

The most satisfactory result appearing in this report is the conclusion reached, that this great and useful institution of our State, whose business interests and relations extend and are being advanced in nearly every State of our Union, and in so many of the civilized countries of the world, and whose policyholders therein may be named as legion, is beyond all question solvent, and is the actual owner and possessor of a surplus of available assets and property exceeding its present liability by the sum of \$6,038,136.33 accrued upon its general account and \$8,670,539.50 upon its tontine accumulation. Such a result was one most earnestly desired by this department. Those interested may be assured that this conclusion is accurate and trustworthy.

Managing trustees and officers may come and go, and culpable or careless administration may exist for a time, and decrease in some degree the profits and assets that belong to the policyholders, yet the system of life insurance, as adopted and maintained by the large companies of our State, continues to exist as a safe and beneficial system for those who invest therein, and being substantially under the control of the investors, no great evils or mismanagement can continue long without exposure and remedy by those directly interested in the practical administration of the institution. The prosperity of every life company, and the interests of its policyholders, imperatively demand that all its business acts and transactions through its trustees and officers that affect the value of its securities and assets should be reported and made known, not only to the policyholders, but also to this department and the general public.

Like departments of the city, state and nation, the acts of the trustees and executive officers of a life insurance company should be open to the scrutiny of those authorities vested by the law with their supervision and control, and in such case the policyholders may rest assured that their interests will be amply protected.

The methods pursued by Mr. Shannon in marshalling its assets and liabilities are commendable for their simplicity and accuracy. This work can be performed only by thorough and constant attention to details, and when thus performed is fraught with good results and deserves the commendation that all good work receives from intelligent and disinterested criticism.

The appraisals of the real estate and mortgages owned by the company were made in every case by competent authorities selected by myself after much care and consideration, and full confidence may be reposed in their fairness and accuracy.

HOLBROOK HALL.

The actual cost of Holbrook Hall to the company was \$1,009,866.-68, while the actual value thereof, as estimated by the appraiser of the department, did not exceed \$480,000.

The account of the matter presented to the committee of trustees leaves a strong impression upon my mind, that the interests of the company were neglected and trifled with in its earlier history; and when the testimony of Mr. Barton and M. Whittimore is considered and the subsequent action of the executive officers exhibiting the further history of this property, the criticism of Mr. Shannon seems mild and temperate, and careful consideration of the facts leads me to state, as a conclusion therefrom, that no reasonable excuse or explanation has been offered to rebut the charge of gross neglect and incompetency in the management of this property, from which resulted this great loss of over half a million of dollars to the company in this single investment.

PLAZA HOTEL.

There appears to have been a loss of \$283,994 in this investment, if we assume that the appraisal of Mr. Coleman was correct.

In property of this character, and of such great value, the opinions of real estate experts, of equal ability and integrity, often differ, and other able and conscientious appraisers might value this property at higher figures and even beyond its cost.

The actions of the executive officers in regard to this property, although not entirely free from censure in regard to careful management and good judgment, do not manifest the grossly erroneous judgment and neglect to the extent that appears in the case of the Holbrook Hall investment.

The question of doubt in regard to the title of an integral portion of this property, raised by the report of Judge Spencer on the same, is not one for which, by any rule of business ethics, the executive officers are responsible. The best professional talent in the examination of real estate titles was employed by them on this occasion, and by their views and reports they were properly influenced and governed.

The Home Office building also shows a large shrinkage in value as appraised by Mr. Coleman and noted in the report.

REAL ESTATE IN PARIS.

The real estate investments in Paris, France, which cost the company \$1,102,604.05, and which the French Government values at only \$470,400, and which the company's own selected appraisers value at only \$787,200, furnishes another instance of great shrinkage in value and apparently of great extravagance in the price paid for it.

The officers furnished to Mr. Shannon some evidence tending to increase the value of this property beyond the amount of \$470,000, but even assuming the highest valuation of the appraisers selected by the company, there is still a great shrinkage in the value of this real estate investment made by the executive officers of the company.

The explanations offered are, in my opinion, insufficient to relieve the executive officers from the charge of excessive expenditure and bad judgment.

The examination and favorable report of Judge Spencer, upon the titles of a thousand and more pieces or parcel of land, reflect credit upon the ability and integrity of the professional aid invoked by the executive officers of the company in the examination of such titles previous to investment therein.

Under the head of "Agency Management," Mr. Shannon reviews fully the facts relating to the accounts of the Spanish American Department, L. C. Vanuxem & Co. and S. L. Dinkelspiel. The facts raised and points made cover upwards of sixty pages of typewritten matter, and is of so voluminous and exhaustive a character, that I do not deem it necessary to refer to the same again in detail. Being attached to this report it is easily referred to by anyone desiring to obtain details. After a careful reading and examination of this portion of the report, I am forced to the conclusion that the facts presented by him clearly indicate that a state of affairs exists in the company's agency management calling for the severest criticism and condemnation, and which, if continued, must prove ruinous to the company. Extravagant commissions and unwarrantable allowances have been paid to the company's agents; funds of the company to the extent of hundreds of thousands of dollars have been advanced to these agents without interest and upon insufficient security. Funds of the company have been used for speculative purposes, and the greater portion of the profits arising therefrom have been presented to the agents, while in case of loss on any such transactions the whole loss falls upon the company.

According to the statement of the company's accountant, these three agencies are indebted to the company in the following amounts, in round numbers, to wit: Spanish American Department \$590,000; L. C. Vanuxem & Co. \$570,000; S. L. Dinkelspiel \$348,000, being upwards of one million five hundred thousand dollars by these three agents alone. Mr. Shannon presents facts that leave no doubt in my mind that several hundred thousand dollars should be added to these figures on account of large allowances improperly made; and my review of the facts convinces me that this whole agency business, in all its features and relations to the company and the results therefrom, were entirely in favor of the interests and profits of the agents and against those of the company, and the management were guilty of gross neglect in their duties in permitting such continuous deviations from ordinary business rules to the great loss of the company.

In regard to the publication of the "Massachusetts Souvenir" and the "Public Service of the State of New York" by the executive

officers of the company, and the large amounts expended therein, I fully agree with Mr. Shannon that the publication of histories and biographies is not one of the forms of business which the New York Life Insurance Company is authorized to engage in by the laws of the State or its charter. I can find neither excuse, reason nor good policy to justify the transaction.

In regard to the purchase and sale of securities for the company by the firm of L. L. White & Co., it appears that Mr. Loomis L. White was the senior member, and during all the transactions described, amounting during a period of years to \$60,000,000, that said firm received commissions for their services in making such purchases, and they performed service in the interest of the company in the examination of securities that were not purchased, for which they received nothing, their commissions being charged only on actual transactions.

During all the time of these purchases Mr. Loomis L. White was a trustee and member of the finance committee of the company.

Without reflection upon the action, service and good faith of Mr. White or his firm or of the executive officers of the company, and assuming that the company was really benefited by those services, it is the opinion of this department, and it is also advised that such and like transactions were prohibited by statute (Laws of 1881, Chapter 434), cited by Mr. Shannon, and should not have been entered into by the parties. Reputable counsel of the company and of Mr. White have raised the question that their transactions did not fall within the prohibition of the statute, and if so were simply technical; yet I am compelled to disagree with them. The fact that only one firm was employed for all this business, one of whom was a member of the Board of Trustees and Finance Committee, has been the subject of severe criticism as an exercise of favoritism not inuring to the best interests of the company.

The facts and the questions relating to the investment of the moneys of the company in the Manhattan Safe Deposit Company and the New York Security & Trust Company, have been fully set forth and considered by Mr. Shannon, as also the alleged use of moneys by the president in his personal transactions or speculations. Also the actuarial questions that were submitted to and reported upon by Mr. Paterson, the Actuary of this Department; and I do not find matters and questions therein that require special review by me beyond a reference thereto and approval of Mr. Shannon's conclusions.

There still remains some work to be done in the examination of the real estate titles of the company to complete the basis of the value of the assets of the company as herein estimated and reported by Mr. Shannon. This work requires some time yet for performance, and possibly, in case those titles shall not be fully confirmed, an additional report may be required. The interests of the public, especially of the company and its policyholders, as well as the best interests of other life companies and of the Insurance Department, have caused me to expedite this examination and make this report at the earliest practicable period. There is no probability that the continuance referred to will materially change the conclusions reached therein.

As the Superintendent of the Insurance Department of this State, I have seriously considered the question as to what, if anything, I should suggest or advise in the premises as a remedy for the defects and irregularities in the management of the affairs of this company that I have pointed out, and also to whom, as a department or official, my suggestions or advice should be directed.

I have concluded that the power of amendment and reform lies in the action of the company itself, and its trustees and policyholders, and my present duty is performed when I have plainly, and without malice or exaggeration, gathered and stated the facts and situation and the views of this department in regard to what are deemed evils and irregularities of methods in the administration of this great and solvent corporation. And if they are such as to command the consideration and belief of all those who are interested, and who are masters of the situation, I confidently believe that they will apply all necessary remedies, and that all evils and irregularities will disappear, and give renewed life and usefulness to this life insurance company. I shall be ready and anxious at all times to aid, by all means in the power of the Insurance Department, in such efforts to reach such desirable results, reserving to the department the right to take such action at all times in the future as shall be deemed wise and beneficial to all concerned.

Publicity is the great preventive and remedy for corporate errors of administration under a representative form of government. The founders of our Union did away with paternalism at the same time that they threw off the shackles of despotism, and the present Superintendent does not believe that it was the intention of the laws creating the Insurance Department, or that it should ever be within their scope, to erect over the lawfully appointed custodians of the people's funds another custodian who should intermeddle in their corporate administration. The trustees or directors and officers of corporations in this State are legally responsible for their acts and the results of them. Their responsibility should not be diminished either in law or in the public estimation by a supposed participation therein, by any State or other official of whom perhaps one day it may be asked "Quis custodiet custodes?" Therefore the Superintendent limits himself in this report to publicly stating the facts as they have been disclosed by the examination, confident, that if further remedy be needed, it will be found under the orderly and appropriate processes provided by our laws.

In conclusion, let me add that, in undertaking this examination, the

Superintendent has not considered his function to be that of a prosecuting attorney or of a detective employed to hunt down and convict alleged offenders. He believes that the Insurance Department of this State was benignant in its conception and should be protective in its operation:—Benignant in that it was intended to foster and to aid a class of corporations doing a great and beneficent work in alleviating human misery and indemnifying humanity against inevitable loss. Protective in that it stands as the guardian of companies and policyholders alike against all possible tendency to wrong on the one side and to possible injury or injurious attempts on the other. The published reports of the conditions of companies under its supervision should be authoritative and final. The investigations should be impartial and its findings judicial. Such the Superintendent has striven to make both the present examination and the conclusions at which he has arrived. The obligations of his office and his oath have controlled his action to the final conclusion of his self-consciousness, and he has done his duty without fear, favor or prejudice.

JAMES F. PIERCE,
Superintendent.

REPORT OF THE DEPUTY SUPERINTENDENT.

NEW YORK, January 4th, 1892.

HON. JAMES F. PIERCE,
Superintendent of the Insurance Department.
Albany, N. Y.

Sir:—Complying with instructions contained in appointment No. 689, an examination of the condition and affairs of the New York Life Insurance Company of New York City has been made by the undersigned, and the results thereof are herewith submitted.

This examination was made as of June 30th, 1891, and on that date we find that its assets and liabilities were as follows:—

ASSETS.

1. Appraised value of real estate owned by the company as per Exhibit 1	\$13,225,038 59
2. Loans on bond and mortgage (first liens) on real estate, as per Exhibit 2	20,825,483 64
3. Loans secured by pledge of bonds, stocks or other marketable collaterals, as per Exhibit 3	3,509,500 00
4. Premium notes, loans or liens on policies in force, the reserve on each of such policies being in excess of all indebtedness thereon as per Exhibit 4	438,868 00
5. Market value of bonds, stocks and securities owned absolutely as per Exhibit 5	75,016,949 92
6. Cash in company's office	14,092 66
7. Cash in bank, except fixed deposits in foreign countries, included in item 5	2,610,094 52
8. Interest due and accrued on bonds and mortgages	427,210 31
9. Gross premiums due and unreported on policies in force	\$3,682,577
10. Gross deferred premiums on policies in force	1,964,648
11. Annuity premiums uncollected	157,091
12. Total	\$5,804,316
13. Deduct 20% loading on above gross amount	1,160,863
14. Net amount of uncollected and deferred premiums	4,643,453 00
Total assets	\$120,710,690 64

LIABILITIES.

1. Net present value of all the outstanding policies in force on the 30th day of June, 1891, computed according to the combined experienced table of mortality with 4% interest	\$105,010,324 00
2. Deduct net value of risks of this company reinsured in other solvent companies	402,120 00
3. Net reinsurance reserve	\$104,608,104 00
4. Claims for matured endowments due and unpaid	39,019 00
5. Claims for death losses unpaid	990,507 00
6. Amounts due and unpaid on annuity claims	146,550 81
7. Liability on account of lapsed policies	138,481 00
8. Premiums paid in advance	79,353 00
Total liabilities on policyholders' account	\$106,002,014 81
10. Gross surplus on policyholders' account	14,708,675 83
11. Total Liabilities	\$120,710,690 64

- 12. Estimated surplus, accrued on tontine or other policies, the profits upon which are especially reserved for that class of policies..... \$8,670,539 50
- 13. Estimated surplus accrued on all other policies..... 6,038,136 33

It is with great satisfaction that we are able to report, as shown in the above statement, that the company is perfectly solvent.

This examination was commenced on June 22nd, 1891, and has been continued without intermission up to the present time.

The greater part of the real estate owned by and mortgaged to the company is located in the city of New York, and for the purpose of ascertaining its value, Mr. Michael Coleman, formerly president of the Board of Tax Commissioners of this city, and an acknowledged authority on real estate values in New York, was appointed to appraise it.

The company has invested a very large amount of money in office buildings in Western cities, and a limited amount in mortgages on real estate. Mr. Josiah Van Vranken, formerly deputy superintendent of the Banking Department, was appointed to appraise this portion of the real estate, with instructions to call to his assistance local experts in real estate whenever he deemed it necessary. In other localities in which the company had real estate or mortgage investments, the appraisal of the property was intrusted to men believed to be thoroughly competent for the work. For the purpose of obtaining information as to the value of real estate owned by the company in foreign countries, and the amount of securities deposited with foreign governments by the company, the course outlined in the following correspondence was followed :

STATE OF NEW YORK,
Insurance Department,
ALBANY, July 27, 1891.

Honorable JAMES G. BLAINE,
Secretary of State,
Washington, D. C.

Sir:—I am at present engaged in making an examination of the condition and affairs of the New York Life Insurance Company of New York City, one of our greatest moneyed corporations.

I find that this company does a very large business in the several countries of Europe, and owns real estate in Paris, France; Berlin, Prussia; Vienna, Austria; and Amsterdam, Holland, besides having large sums of money deposited with the general government in these and other countries of Europe.

I desire to have this real estate appraised in each case by some person selected by the governmental department in each country having charge or supervision of the affairs of insurance companies, the expense of which will be paid by this department on the certificate of the proper officers of such government. I also wish to obtain from such department a statement of the deposits made by said company.

I am, however, not familiar with the proper course to be pursued in this affair, and would, therefore, respectfully ask your advice as to the manner in which I shall proceed.

Shall I send the descriptions of the real estate and the questions regarding the deposits to your department, or shall I communicate directly with the American ministers in the several countries mentioned?

If the latter, will you please give me the addresses of the American ministers at the several courts of Europe, and oblige,

Yours very respectfully,
JAMES F. PIERCE,
Superintendent.

THE STATE DEPARTMENT'S RESPONSE.
DEPARTMENT OF STATE,
WASHINGTON, July 30, 1891.

JAMES F. PIERCE, Esquire,
Superintendent of the Insurance Department of New York,
Albany, N.Y.

Sir:—Your letter of the 27th instant, asking this Department to assist you in obtaining information relative to the affairs of the New York Life Insurance Company in certain countries in Europe, has been received.

In reply, I have to inform you that if you will send hither descriptions of the properties and interrogatories, in separate form for each legation to be inquired of, the Department will forward them with suitable instructions. The interrogatories may be addressed severally to the American Minister at naming the capital of the country without giving the name of the minister.

I am, sir, your obedient servant,
WILLIAM WHARTON,
Acting Secretary.

FORM OF LETTERS ADDRESSED TO THE AMERICAN MINISTERS AT PARIS, BERLIN, AMSTERDAM AND VIENNA.
STATE OF NEW YORK,
Insurance Department.
ALBANY, August 11, 1891.

To the American Minister at —

Sir:—An examination of the New York Life Insurance Company is being made by this Department, and, in determining the amount of the company's assets, it is necessary that the present title and value of the property set forth in the accompanying memorandum, marked "Exhibit A," be certified to me by the proper governmental authorities of....., or by yourself or some person appointed by you for this purpose.

In thus communicating with you, I do so under the advice and suggestion of our Department of State at Washington.

All expenses attendant upon your kind co-operation in the matter upon which I have the honor to address you will be remitted to you at once by this Department upon your presentation to me of a receipted voucher covering the amount.

Yours very respectfully,
JAMES F. PIERCE,
Superintendent.

FORM OF LETTER ADDRESSED TO THE AMERICAN MINISTERS AT RIO DE JANEIRO, SOPHIA, ROME, ST. PETERSBURG AND BERNE.

STATE OF NEW YORK,
Insurance Department.
ALBANY, August 11, 1891.

To the American Minister at —

Sir:—An examination of the New York Life Insurance Company is being made by this Department, and, in determining the amount of the company's assets, it is necessary to ascertain the amount and character of its deposit with the Government of....., which I desire to have officially certified to by the authorities having proper custody of the deposit in question, setting forth a description of the securities composing such deposit, with their date of issue, date of maturity, rate of interest, and any other data bearing upon their value.

In thus communicating with you, I do so under the advice and suggestion of our Department of State at Washington.

All expenses attendant upon your kind co-operation in the matter upon which I have the honor to address you will be remitted to you at once by this Department, upon your presentation to me of a receipted voucher covering the amount.

Yours very respectfully,
JAMES F. PIERCE,
Superintendent.

Responses have been received to all of these inquiries, and are filed herewith, marked "Exhibit 5 A."

The actuarial work of the examination was placed in charge of Mr. John S. Paterson, Actuary of the Insurance Department. Mr. Paterson, in addition to making the reserve valuations, listed every policy on which an uncollected or deferred premium or premium note was claimed as an asset; and where it was found that any such was in excess of the reserve on the policy, such excess was rejected as an asset. This was one of the slowest and most laborious portions of the examination. A careful examination was made in the matter of unpaid death claims, and the amount stated above is believed to be the true measure of the liability on this account. The company pays its losses very promptly, and the amount unpaid is not greater than is to be expected in a company of its size.

In the examination of the assets and property of the company, it became necessary not only to appraise the value of the real estate owned by and mortgaged to the company, but also to examine the titles to the same, such titles being the basis of value.

The company owns real estate in the States of New York, New Jersey, Missouri, Minnesota, Nebraska, and in Montreal, Canada; Paris, France; Berlin, Prussia; Vienna, Austria; and Amsterdam, Holland, of the estimated aggregate cost or value of over Fourteen Millions of dollars (\$14,000,000), of which seventy-seven (77) different parcels of land, amounting in their lot sub-divisions to nearly twice that number, are situated in the State of New York, fifty-five parcels in the State of New Jersey, four in the State of Missouri, four in the State of Minnesota, and two in the State of Nebraska, and one parcel in each of the foreign countries named.

In addition to the above, there are over nine hundred separate parcels of real estate mortgaged to said company, of which over eight hundred were situate in New York, forty-two, in the State of New Jersey, one in Colorado, one in Georgia, two in Illinois, one in Kansas, three in Kentucky, one in Maryland, one in Massachusetts, nine in Michigan, thirty-one in Missouri, three in Ohio, one in Oregon, ten in Pennsylvania, one in Rhode Island, one in Tennessee, one in Vermont and one in Canada.

The aggregate amount of loans secured to the company by these mortgages is \$20,825,483.64.

The examination of the titles to this large number of parcels of real estate was intrusted to Hon. James C. Spencer, of the City of New York, as the Attorney and Examiner of the Insurance Department, and such other attorneys as he should necessarily require for the service, the whole being under his direction and supervision.

Judge Spencer has been engaged in this examination since June 23rd, and has made to and filed with the Insurance Department five reports, the last of which bears date of December 26th, 1891. They cover and relate to the title of over 1,100 pieces or parcels of land and are full in details, and being filed with the Insurance Department are referred to in this report in general terms only.

In these reports he certifies favorably as to the title of the company in all the cases presented for examination, excepting what is known as the Plaza Hotel property in the City of New York, and as to that he reports favorably as to the title to four-fifths of the property, and expresses no opinion regarding the remaining fifth, because it is now the subject of a trial and decision before the Supreme Court in an action pending therein.

He also states, in his last report, that his examination has been concluded upon all the titles of real estate that had been submitted to him, except one parcel in the State of New Jersey, which will be the subject of a special report, and also excepting about fifty parcels situate in Colorado, Illinois, Maryland, Michigan, Minnesota, Nebraska, Ohio and Oregon, and in Canada and Europe, which will be examined and reported upon at a later period and as soon as practicable.

That from a partial examination of these latter cases, he is impressed with the conclusion that the final examination of the same will result favorably to the titles of the New York Life Insurance Company, excepting, perhaps, the special case in New Jersey.

It was deemed advisable that a knowledge of the operations and management of the company's medical department should be obtained, and for this purpose Dr. Philip F. O'Hanlon was appointed to make the investigation. From his report in full filed herewith marked "Exhibit 6," we quote as follows:—

"With regard to the methods and details of conducting examinations and other medical work at the Home Office, nothing more thorough could be required. No favoritism is shown. On the whole the investigation reveals the fact that all precautions taken by the best companies are practised here, and there is nothing to be feared for the future of the company as to the result of any want of skill or care on the part of the Medical Department. The position in which Medical Directors and members of the Medical Board are placed is by no means an easy one, and requires peculiar fitness for and adaptability to the work of harmonizing what are often antagonistic elements. I feel it my duty to express my confidence in the absolute integrity, good judgment and the very high order of ability with which the Medical Board of this company is endowed."

The investigation of all other matters connected with the financial condition and management of the company was personally conducted by the undersigned, and the examination as a whole was under his supervision.

The officers and heads of departments were placed under oath. All of the bonds and other securities that form the assets of the company were personally counted and inspected by the undersigned and the number and description of each and every one was taken, so that no one of them should figure a second time as an asset. This work was done in conjunction with 2nd Vice-President Welch, Cashier Banta, and Assistant Bookkeeper Appgar.

VALUATION OF REAL ESTATE OWNED BY THE COMPANY.

In the valuations of the several pieces of real estate owned, as furnished by the appraisers, there are four pieces in which the value falls below that put upon the property by the company to a serious extent, and are as follows:—

HOLBROOK HALL.

This is an apartment house building located on the southwest corner of Fourth Avenue and Sixty-second street. Its total cost to the company was \$1,009,866.68, but on December 31st, 1886, \$77,810.91, and on December 31st, 1887, \$202,988.97 were charged off to profit and loss, leaving \$729,066.80 as the value of the property carried by the company as an asset. The value placed by Mr. Coleman on this property is only \$480,000, which indicates that the company has lost \$529,866.68 on this one piece.

The history of the company's ownership of this property, as related by Mr. Beers in his testimony before the Trustees' Committee in 1887, is as follows:—

"The history of Holbrook Hall is this: We were to lend \$150,000 to \$175,000 on it. We paid so much down and were to advance so much more as building progressed. We had advanced in all about \$125,000, when the builders were unable to go any further and made application for more money, which was declined. It hung fire for a while, and they inquired whether, if they could transfer this loan to somebody else, we would take our money. These inquiries were made without anything very tangible. In looking over security we had for our \$125,000, we found that the man had expended in the building from \$125,000 to \$150,000. Now we had all the lots in addition. I said

to him, which I afterwards reported to committee, 'Yes, we will transfer loan, but security is ample for our money and we have a five years' contract at 6% interest. You cannot expect the company to lose that contract without some consideration. If you will pay a reasonable bonus we will take it into consideration.' My recollection is I wanted him to name a sum, but he would not. I said 'Give us \$10,000.' My impression was that he did not have anybody to whom he could go to get this money.

"Barton & Whittemore originally negotiated that loan. They said they could raise this loan, etc. Well, perhaps they could and perhaps they could not. I replied 'Make us a proposition.' I forget what the result was, but I recollect very distinctly that I did not take any stock in the offer. The man failed, stopped building, and did not pay interest. We foreclosed and bought in property, I think at a cost of about \$140,000. Then the question came up for committee's consideration as to what should be done with the building."

Barton & Whittemore, above referred to by Mr. Beers, are brokers engaged in the business of negotiating loans, etc. In statements made by them to the undersigned, under oath, they confirm to some extent the testimony of Mr. Beers as given above. Relating to the proposition made to the company, Mr. Barton testifies as follows:—

Q. After they had refused to make any further advances on account of that loan, did you, as representing Mr. Van Antwerp, make any proposition to the company for the payment of the amount due to them?

A. I did.

Q. Do you remember what the proposition was?

A. The proposition was to pay off the New York Life entirely.

Q. Principal and interest?

A. Principal and interest.

Q. Was the proposition accepted?

A. It was not.

Q. Was it declined?

A. It was declined.

Q. By whom?

A. By Mr. Beers, vice-president of the company.

Mr. Whittemore testifies that shortly after the last payment had been advanced to Van Antwerp on November 25th, 1882, a heavy rain and freshet occurred, after which it was discovered that there was a crack in the rear wall of the building, which he brought to the attention of the officers of the company. Referring to the proposition to the company, Mr. Whittemore's testimony is as follows:—

"When Mr. Van Antwerp came in here and stated that he had an offer of a loan on that property, I called his attention to the fact that the mortgage had something over four years to run, and notwithstanding that, he wanted the company to take their money and enable him to get the larger amount. At that point, knowing the condition of the wall, we were only too glad that he asked me to ask the company; but it was a fact that Mr. Barton stated to Mr. Beers that Mr. Van Antwerp had that money, and asked him to take it, and they refused to take it. Of course I was not present then, but I know what Mr. Barton told me when he returned from the company. Of course our object in doing that was to get the company out of the trouble. Mr. Barton went to Mr. Van Antwerp and reported to him that the company had declined to take it."

Leaving out of consideration the question as to whether a great corporation like this should use its power and its opportunities to crush the life out of a customer, who is ready and willing to pay what he owes, or whether, while conforming to the letter of the law governing investments in real estate, its spirit was not violated, we cannot avoid the conclusion that this transaction was characterized by poor judgment on the part of the managing officers of the company. If the walls were in bad condition, and subsequent developments seem to bear out Mr. Whittemore in his testimony on this point, the officers of the company should have taken measures, before refusing Van Antwerp's proposition, to ascertain in just what state the building was and how much it would cost to put it in perfect condition. Had this been done by a competent architect, it is probable that Van Antwerp's proposition would have been accepted and the company saved from its great consequent loss. After the property had been bought in on foreclosure, the completion of the building was placed in charge of a relative of one of the trustees, who was not generally known as an architect capable of completing a work like this.

In his examination by the Trustees' Committee in 1887, Mr. Beers continued his history of Holbrook Hall as follows:—

"It was decided, after consultation with committee, that we would finish the building. Estimates were brought in as to what it would cost to finish (in making estimates a great many things were necessarily left out), the building was found to be a little defective in the rear wall, which we did not know at that time. It was finally decided to finish the building, and then the party who was the lowest bidder could not furnish security (to the best of my recollection) for carrying out contract. It was then decided to finish by day's work and employ Mr. Worthen as architect, superintendent or civil engineer, whatever it was. This idea was finally carried out and building finished.

"It cost a great deal more than was expected, for reason that we had to take down the entire rear wall. We found that it had sunk somewhat.

"I went to the other side after that thing was commenced, and was not here while payments were made. All the proper vouchers were, as I understand it, furnished for payment. That is the history of Holbrook Hall. Now, I had no more to do with that than any other gentleman connected with Finance Committee, and I do not know that there is any particular scandal about it."

Q. When you say "we," who is included in that?

A. The Finance Committee.

Q. Any one special member?

A. It was my habit to go to the chairman in all matters where there was any question to be talked about.

"I ought to say, in justice to Mr. Appleton, that at the time it was decided to employ Mr. Worthen, he said, 'I would rather somebody else would be employed because he is a connection of mine.'

"Mr. Worthen was employed when we had building at 112 and 114 Broadway (before I was an officer), and gave entire satisfaction. He was employed to supervise the building of Manhattan Safe Deposit in some parts, and his work was very satisfactory. I believe him to be a perfectly honest, straightforward man in every particular."

Q. Was there any other member of the Finance Committee you were in the habit of talking to?

A. I was in the habit of talking to all of them.

Q. Who are the members of present Finance Committee?

A. Messrs. Appleton, Potts, Higgins, White and Welch.

"There is one point in connection with this that I wish to mention; formerly, under the administration of Mr. Franklin, we never had but monthly meetings of Finance Committee. It was the custom, when we had anything on hand, to send for the gentlemen. There were no minutes made of these conversations. In the case of bonds and mortgages we had majority of committee write their approval on applications. Since I have been president we had meetings once a week, after consultation with Mr. Booth, and everything is engrained on the minutes."

Q. The building of Holbrook Hall was done previous?

A. Yes.

Q. Your decision to complete building by day's work, was it done in consultation with more than Mr. Appleton?

A. I can't recollect.

Q. It was done after mature deliberation?

A. Yes; my recollection is (but I can get report from Mr. Worthen) that these bidders could not give proper security, and, therefore, fell through. Mr. Worthen said he thought he could do it by day's work fully as well.

Q. At that time you had full confidence in him?

A. Yes.

Q. What salary was he paid?

A. A commission, I think.

Q. He is not a builder?

A. I don't know. I think he employed an architect under him.

At any rate the whole matter was done in actual positive good faith.

Q. Did you have any more to do with that than any other member of the Finance Committee other than that which your duties as executive required of you?

A. No.

Q. Not done by any special request or desire of yourself?

A. No. If it had been my own private building I would have done the same thing.

Q. Properly, the Finance Committee knew about it?

A. There was no reason why they should not know, and indeed ought to know all about it. The building was finished and we were not very successful at first in renting, owing to the fact that the building was finished between renting seasons. At the time this trouble occurred with the floors this building was all rented, with exception of six apartments, I think. I am under the impression that two of these were engaged; so that if we had finished renting property on November 1st, I think we would then have been in such a position as would enable us to commence negotiations for its sale.

Q. Why did you not take steps before?

A. Because it would have been useless to attempt to dispose of it before renting. I think we would have filled building by November 1st, and if no accident had occurred we would have had about \$40,000 rental.

Q. Is there anything about this building different from modes of transaction in other real estate?

A. Absolutely nothing.

Q. It reflects as much upon judgment of Finance Committee as yourself?

A. Of course it does.

Q. How much is it going to cost to make it habitable?

A. We have employed McKim, Mead & White, a very prominent firm of architects, to examine it thoroughly, and we are now preparing plans and specifications of what it will cost. If it is made fireproof it will cost in the neighborhood of \$150,000. This, of course, is a dead loss.

The trouble with the floors referred to by Mr. Beers was discovered on the occasion of a fire which occurred in the building. The fire department, upon tearing up the floor to get at the fire, discovered that the timbers were in a bad state of decay, brought about by the application of some of Mr. Worthen's building ideas to its construction. As

a result of this discovery the building was immediately condemned and tenants notified to move out at once, as there was danger that it would collapse at any moment. It was at this time that McKim, Mead & White were called in to examine the building. Up to this time the cost of the property to the company was \$530,799.88. Instead of the \$150,000 that Mr. Beers told the committee it would cost to put the building in proper shape, it actually cost \$479,066.80, thus bringing the total cost of the property up to \$1,009,866.68. The testimony of Mr. Beers himself is sufficient evidence that the great loss sustained by the company in this matter was due to poor judgment, supplemented by bad management.

PLAZA HOTEL.

The total cost of the Plaza Hotel to the company on June 30th, 1891, was \$2,783,994.18. Mr. Coleman appraises the property at \$2,500,000. This property came into the possession of the company in a manner somewhat similar to that of Holbrook Hall. A loan was made to Phye & Campbell, builders, to enable them to erect a hotel building on lots owned by them on Fifth avenue, 58th and 59th streets. This loan was secured by mortgage on the premises. After about \$800,000 had been advanced in the construction, the builders were unable to proceed farther, the result being that the company foreclosed the mortgage and bought in the property at a cost of about \$860,000. Nearly \$2,000,000 additional was spent by the company in preparing the building for occupation.

HOME OFFICE BUILDING.

This building was erected several years ago for the purpose of furnishing suitable quarters for the Home Office of the company. Its cost on the company's books is \$1,914,295.20; Mr. Coleman's valuation is \$1,550,000.

Regarding the valuation of the Plaza Hotel and the Home Office building, 2nd Vice President Welch presents a written statement, accompanied by estimates of the value of these properties made by well-known judges of real estate, the lowest estimate made for the Plaza Hotel being \$2,750,000, and of the Home Office building \$2,000,000. These statements and estimates are filed herewith marked "Exhibit 6."

PARIS BUILDING.

The company owns an office building and land on which it is situated in Paris, France. A description of this property, furnished by the company, was forwarded to Hon. Whitelaw Reid, American Minister at Paris, requesting his co-operation as indicated in the correspondence given above. An answer was received to this communication, and the difference in the valuation placed on this property by the French Government and by the company is so serious, that it is deemed best to give the reply of the Government and the statement of the company in full:—

PARIS, Oct. 22nd, 1891.

Mr. Minister:—

As I had the honor to inform you on the 12th of last month, I had called the attention of the Minister of Finance to the strong desire of your Government to obtain for the Insurance Department of the State of New York, instructed to make an inquiry as to the situation of the "New York Life Insurance Company," some information in regard to the value of the property and amount of money that this company owns in France.

Mr. Rouvier has just informed me, that according to information furnished him by the Department of Direct Taxes, the market value of the two pieces of real estate belonging to the "New York Life," situated in Paris, rue Le Peletier, Nos. 1 and 3, amounts to about 2,450,600 frs., that is, 1,500,000 frs. for the land, and 950,000 frs. for the building.

As to the funds that the company may have in bank, my colleague adds that no department of the ministry of finance can determine their amount.

I can only express to you the regrets of Mr. Rouvier at not being able to give you on this point the information which you had expressed the desire of obtaining.

Accept, etc., etc.

(Signed)

RIBOT.

PARIS, 3rd December, 1891.

To his Excellency, WHITELAW REID.

Minister Plenipotentiary.

Paris.

Sir:—

It has come to my knowledge that, on the demand of the Insurance Department of the State of New York, a request was forwarded some weeks ago to the French Government, asking that experts be appointed to give a just valuation of the property in Paris owned by the New York Life Insurance Company, which company I have the honor of representing, and that a communication has been furnished by the French Government, placing the market value of said property at Fcs. 2,450,000.

I have obtained from the Director General of Direct Taxation communication of the letter (copy enclosed), addressed to him by the Director of Taxation of the Department of the Seine, from which the Minister of Foreign Affairs has based his letter giving the above valuation, which, I think, does us a great injustice; and as these figures are furnished by the Administration of Direct Taxation, it leads me to think that they are only the taxable value, as I have not received the visit of any French officials charged with the valuation, neither have any such officials visited the premises with a view of making such valuation.

To enable the Superintendent of the New York Insurance Department to have a just, fair and unbiased valuation of our property, with a great deal of difficulty I succeeded in getting the Governor of the French Crédit Foncier, the largest institution of its kind in France, and a society of which the reputation is well known throughout Europe, to have a valuation made of our property. This estimate has been made with the greatest care by two of the most competent and experienced inspectors of the Crédit Foncier. Their report I enclose herewith, together with an English translation, and their signatures duly attested by the Vice-Governor of said institution. They have taken all necessary information, they have thoroughly examined the building, they have verified the deed of purchase and all the leases, they have compared the ground of the two houses to that of neighboring buildings situated on the Boulevard, which was not done by the French officials.

The result of their work is as follows:—

Their estimate of the house situated No. 16 Boulevard des Italiens and No. 1 Rue Lepeletier, based on the value of the ground and of the buildings, amounts to	Fcs. 2,564,700
And that of the house situated No. 3 Rue Lepeletier to	737,200

The total value of the two buildings is, therefore.... Fcs. 3,301,900

They have based another estimate on the revenue which is a method not less trustworthy.

The net revenue of the two houses amounts to Fcs. 147,000.

The corresponding capital at $4\frac{1}{2}$ per cent. investment is equal to Fcs. 3,266,665.

The two modes of valuation produce about the same result.

Between the estimate made by the Administration of Direct Taxation and that of the two inspectors of the Crédit Foncier, the difference is therefore Fcs. 816,665.

How is this difference to be accounted for? It proceeds from two causes:

In the first place, from the mistake committed by the Administration of Direct Taxation in regard to the rentals of the two buildings.

The Administration of Direct Taxation estimated this rental at Fcs. 133,600, taking as a basis therefor the rental value determined administratively.

The Inspectors of the Crédit Foncier based their estimate upon the leases themselves, which leases have been registered and are known to the Administration of Real Estate Registration.

Now, on the basis of these leases, the amount of the real net rent is Fcs. 147,000,—a difference in favor of the company of Fcs. 13,400.

Moreover, in the books of the New York Life the rental of the apartments occupied by the company is put at about Fcs. 60,000, the company considering that such would be the amount paid by it if it were not the owner of the house; the inspectors estimated such rental at Fcs. 40,000 only, that is to say at Fcs. 20,000 less.

Finally, the real annual house expenses, as actually paid by the company, amount to Fcs. 11,791.56 as per abstract enclosed, whereas the inspectors have put it down at Fcs. 20,980.

Hence the net revenue proved, after deducting the actual house expenses, would amount to Fcs. 176,188.44, instead of Fcs. 147,000,—a difference in favor of the company, in income, of Fcs. 29,188.44.

The inspectors calculated the capital corresponding to a rental of Fcs. 147,000 on the basis of a $4\frac{1}{2}$ per cent. investment, although it is certain, and a matter of public knowledge, that the percentage of interest-earning power attributed, in sales, to houses situated on the Boulevard (on account of their never remaining unlet) is not superior to 4 per cent.

If the revenue of Fcs. 147,000 had been capitalized at 4 per cent., the estimated value of the house would have been Fcs. 3,675,000.

In order to arrive at this estimate of Fcs. 2,450,000, the Administration of Direct Taxation took as the basis of its calculation not only a revenue below the true one, but it capitalized this mistaken revenue of Fcs. 133,600 at the rate of $5\frac{1}{2}$ per cent., whereas it is notorious that the houses on the Boulevard are assumed to have only an interest earning rate of 4 per cent. at most.

The two-fold mistake is indisputable.

The inspectors might have spared themselves the trouble of estimating the value of the ground and of the buildings, considering that the sum of Fcs. 3,266,665 is amply justified by the proved revenue of the two buildings.

They estimated the buildings at Fcs. 900,000.

The Administration of Direct Taxation had estimated them at Fcs. 950,000, that is to say, Fcs. 50,000 more.

The two parties are therefore nearly agreed on this point, but they disagreed as to the value of the ground.

The Administration of Direct Taxation made an arbitrary approximate estimate without supporting it by any proofs.

On the contrary, the Inspectors took as a basis the purchase price, the price of sale of similar ground plots situated on the same Boulevard, almost opposite, and their estimate is moreover confirmed by the revenue of the two houses, seeing that they produce at $4\frac{1}{2}$ per cent. investment on the sum of Fcs. 3,266,665.

As for the business, that is the good-will of the world-renowned Restaurant & Café Riche, which was purchased for Fcs. 800,000 by the New York Life Insurance Company, the Administration of Direct Taxation has no basis for estimating its value; consequently, it is not included in the Government valuation, but it has been taken into due consideration by the Inspectors of the Crédit Foncier.

I annex hereto a letter written by the head of the Legal Department of the Crédit Lyonnais, in which the writer points out the habitual errors arising out of the method commonly applied by the Fiscal Authorities in estimating the rental value of Paris property in general, and gives us some valuable information in regard to his company's property, which is very near that of our company on the Boulevard des Italiens, although our property is considered by all to be better located than that of the Crédit Lyonnais.

From his letter you will see that the original cost and construction of this property of 4259 metres was about Fcs. 25,000,000, and this has been reduced by "amortissement" to Fcs. 20,000,000. As it contains 4259 squares metres, this gives an average of Fcs. 4,695, at the value of 20,000,000 to the square metre, for cost and construction.

The property recently sold on the Place de l'Opéra contains 360 square metres, and cost Fcs. 2,640,000, which gives an average of Fcs. 7,333 per square metre for ground and construction. And the property on the Boulevard des Italiens, which he cites and which is directly opposite that owned by my company, containing 370 square metres, was valued by the Government not long ago, when they had an idea of purchasing it for the reconstruction of the Opéra Comique at Fcs. 3,000,000. This would give a value of Fcs. 8,100 per square metre for ground and construction.

The value given by the French Government to our property, which contains 900 metres, is Fcs. 2,450,000, for ground and construction, which only gives an average of Fcs. 2,722 per square metre.

The valuation of Fcs. 3,700,000 for ground construction made by the Inspectors of the Crédit Foncier, as you will see by their report enclosed herewith, gives the value at Fcs. 4,111 per square metre, which is extremely moderate.

For these various reasons the estimate furnished by the Administration of Direct Taxation is inadmissible, and the errors that I have pointed out justify, I think, my criticism.

With the foregoing information, it seems to me that the Insurance Department of the State of New York cannot help but see that the valuation made by the French Government is altogether too low, and is in fact only the taxable value, and that an unintentional injustice has been done us.

I would esteem it a great favor on the part of Your Excellency if you would kindly transmit this letter, with enclosures, to the State Department at Washington, to be forwarded by them to the Insurance Department of the State of New York, and I would also consider it a personal favor on your part, if in your letter of transmittal you would be kind enough to mention the important position that the Crédit Foncier Institution holds here in France, as well as that of the banking company "Crédit Lyonnais," and with this in view I enclose herewith the statutes of the two societies.

Thanking you in advance for the favor that I am now asking, I am, dear sir,

Yours very respectfully,

(Signed) W. E. INGERSOLL,
General Manager for Europe.

6 enclosures, viz.:—

A.—Copy of Letter from Director General of Direct Taxation, dated 22nd Sept., 1891.

1°—Estimate of the Inspectors of Crédit Foncier.

2°—House Charges.

3°—Letter from Legal Department of Crédit Lyonnais.

4°—Statutes of Crédit Foncier of France.

5°—Statutes of Crédit Lyonnais.

This property cost the company \$1,102,604.05; but as certified in the letter of Minister of Foreign Affairs Ribot, the French Government values it at only 2,450,000 francs or \$470,400 U. S. money.

While we have not the slightest wish to reduce the company's valuation of its assets by a single dollar, we feel constrained under all the circumstances to adopt the Government's valuation. We have no personal knowledge of the value of the property; and having asked the French Government to furnish us with its estimate of the value, we feel that we would be taking a serious responsibility in rejecting the information thus furnished to us. Upon receiving the letter of the French Minister, a copy of it was promptly submitted to President Beers. He said that he understood that the value put upon the property by the French Government was "taxable value" only, which in Paris, as in New York and other American cities, is very much less than the actual

value. He was informed that if the French Government would state that to be a fact, we would be willing to place a higher valuation on the property. He asked the undersigned to prepare a short form of statement that would satisfy us on that point, which he would endeavor to have the French Minister certify to and transmit by cable to this Department. His request was complied with and the following form prepared:—

"The value of the property of the New York Life in Paris, as stated in the letter of Ribot of 22nd October, 1891, is taxable value only, which in Paris is usually about per cent. of the actual value."

He has been unable to obtain the Minister's signature to this statement, and no alteration, correction or modification of the original document has yet been made.

It will be noticed that the valuation placed on this property by the appraisers selected by the company falls far below the amount which it has cost. We quote from the report of the appraisers as follows:—

"CONCLUSION."

"It has been seen that our estimation, founded on the knowledge we have of the value of buildings in Paris, and, in addition to that, on particular information we have got about this affair, gives the following results:—

Buildings in Paris, Boulevard des Italiens, No. 16, and rue Le Peletier, Nos. 1 and 3, three millions three hundred thousand francs.....	Fr. 3,300,000
Business of the Café Riche, eight hundred thousand francs.....	800,000

In all, four million one hundred thousand francs.... Fr. 4,100,000

And if taken into consideration that the opening of the Boulevard Haussman is certain, a fact of which profit is surely made by present sellers, it is our opinion to estimate at four millions five hundred thousand francs (4,500,000) the value of buildings and business, object of our report.

Made and drawn up in Paris, on the fourth day of November, in the year one thousand eight hundred and ninety-one.

(Signed) DUCLOX, *Sous-chef de Division at the Crdit Foncier de France.*
 (Signed) MARTIN, *Chef de Bureau at the Crdit Foncier de France.*

From this statement of appraisers, presumably friendly, it appears that the value of the ground and building "founded on sales of similar grounds" and the condition of the buildings is 3,300,000 francs, equivalent to \$633,600. If the amount paid for the "name of Café Riche, with custom and fixtures attached thereto" (which is not a form of investment of the funds of a life insurance company authorized by the laws of this State, and therefore not admissible as an asset) be added, it only brings the total value of the property up to 4,100,000 francs, equivalent to \$787,200 American money. The maximum valuation placed on the property by these appraisers, being a prospective value only, is 4,500,000 francs, equal to \$864,000 American money.

The difference between the cost of the property and its appraised value indicates that the company paid a great deal more for it than it was worth.

OFFICE BUILDINGS IN OTHER CITIES.

Within the past three years the company has completed office buildings in the following cities, and at the cost set opposite each, as per Mr. Van Vranken's report, viz.:—

Minneapolis, Minn.....	\$1,067,050.25
St. Paul, Minn.....	796,390.15
Kansas City, Mo.....	1,742,957.78
Omaha, Neb.....	1,188,091.86
Montreal, Canada.....	791,341.53

Mr. Van Vranken, after a thorough examination, declares that he believes the amounts above stated to have been actually expended in the purchase of the land and erection of these several buildings.

They are solidly constructed and very expensively finished, more expensively, it is thought, than the existing conditions and requirements warranted.

The net rentals from these buildings have not, thus far, brought in a fair return for the money invested, and there is no immediate prospect that they will prove as profitable as the investments of life insurance companies should. They have been appraised by Mr. Van Vranken at the cost figures, as above stated, because of their recent construction.

As advertisements of the company they no doubt have a considerable value, for, as the appraiser says, "each of them forms one of the attractions in the city in which it is located." It is, of course, impossible to fix their advertising value, but the wisdom of these investments is very doubtful.

In a few other instances the appraised value is less than the cost, but not serious in amount.

In some of the real estate which the company has been compelled to take by foreclosure, it has been more fortunate than in those above mentioned, the most noticeable of which are the following:—

Real Estate No. 427, comprising the property fronting Eighth avenue, west side, from 91st to 92nd streets, being 200 feet front on Eighth avenue, 267 feet 11 inches on 91st street, north side, and 261 feet 2 inches on 92nd street, south side. The cost value of this property on company's books is \$177,271.05. Mr. Coleman appraises it at \$360,000.

Real Estate Nos. 2 and 3, consisting of a number of vacant lots on Butler and Douglass streets, between 3rd and 4th avenues, Brooklyn, cost \$3,414.39; now appraised at \$37,950.

Real Estate No. 363, property on Broad street, Elizabeth, N.J., cost \$32,886.41; appraised at \$75,000.

Farm in Washington, N. J., cost \$30,000; appraised at \$45,000. And others showing small advances.

As to the loans on bond and mortgage, they are regarded by the appraisers as generally of a very satisfactory character. A list of those in which the security does not exceed the loan by 50%, as required by law, is filed herewith marked "Exhibit 7." It is respectfully suggested that the company be notified to call in so much of these loans as may be necessary to bring them within the statutory requirements.

There are only four mortgages wherein the loan is greater than the security, on account of which the sum of \$11,700 has been deducted from the amount claimed by the company.

AGENCY MANAGEMENT.

In addition to the examination made with reference to its financial condition, it was deemed proper to look into certain charges of mismanagement preferred by Theodore M. Banta, the cashier of the company, and extensively commented upon by the newspapers.

These charges were formulated by him in 1887, and presented, in printed form, to the trustees, who thereupon appointed a committee to investigate them.

Nothing of a decisive nature seems to have resulted from this investigation, and Mr. Banta protested that he was not given sufficient opportunity to prove his charges.

In this examination it was determined that he should have no cause to make such complaint, and the following plan was proposed to him and accepted after consultation with his counsel.

He was authorized to, and did, employ a stenographer and typewriter at the expense of this department, for the preparation of his statement. He prepared and submitted a statement, in duplicate, under oath, covering the charges originally made by him in 1887, together with such other matters as seemed to him to require investigation, with such evidence as he possessed to support them. This statement, dated October 8th, 1891, is filed herewith, marked "Exhibit 8."

A copy of this statement was served on the president of the company, with a request that if an answer should be made, it be in writing, in duplicate, and verified by the oath of the subscribers to it. This answer was duly prepared and submitted by the officers of the company, under date of October 31st, 1891, and is filed herewith marked "Exhibit 9."

A copy of this answer was given to Mr. Banta, with an intimation that if he chose to reply to it, it was his privilege to do so. He was also permitted by the company to read over the testimony taken by the Trustees' Committee in 1887. Thereupon Mr. Banta prepared and submitted his reply, dated November 18th, 1891, filed herewith, marked "Exhibit 10," and expressed himself as satisfied with the treatment he had received from this department and the opportunity given him to prove the truth of his charges.

A further statement from Mr. Beers, dated November 25th, 1891, was received and filed herewith marked "Exhibit 11."

In the first of these papers, Mr. Banta says: "In my printed charges, I made twenty-eight specifications, to which I called attention. Before taking them up seriatim, I would remark that in regard to some of them, while they concern matters to which I deemed it proper to call the attention of the trustees, I might not have thought them of sufficient importance to require consideration by the Insurance Department."

It is true that some of his charges are of little or no importance. Others are based on information alleged to have been given him by officers and employees of the company, which is denied by the persons mentioned. Several of the charges, however, are of a character that could be verified or disproved by the records or otherwise, and were given careful consideration by the undersigned.

The present investigation was brought about through the publication in the New York Times, that a defalcation to a large amount had occurred in the company's Spanish American Department.

On June 17th, 1891, a few days after this publication, the Committee on Finance of the company adopted a resolution, requesting the Superintendent of the Insurance Department to make an examination of its affairs. In response to this invitation the undersigned, pursuant to your instructions, commenced an examination on June 23rd, 1891, which has continued, without interruption, up to the present time. On June 20th also, the Board of Trustees adopted preambles and resolutions, of which the following are a part, to wit:—

"Whereas, many charges and much criticism have appeared in the public press during the past few days with regard to affairs of this company, and especially with regard to the Spanish American Department; and

"Whereas, in view thereof, the Finance Committee, with the concurrence and approval of the officers of the company, has invited the Super-

intendent of Insurance to make a thorough examination of this company; "Now it is hereby resolved, that the action of the Finance Committee, in requesting the Insurance Department to make an examination of this company, is approved and ratified.

For information regarding the accounts of the company we were referred to Mr. H. P. Stamford, the accountant. Mr. Stamford, who is practically the auditor, is an accountant of first class ability, but he is so entirely loyal to his officers that early in the examination it became very evident that no information or assistance would be given by him in any direction or on any matter which would lead to a criticism of the management of the company, although he was very courteous and accommodating on all other matters. As one of the objects of the examination was to ascertain whether or not there existed any grounds for the criticism of the officers made by Mr. Banta and others, the examination was thereafter continued without reference to Mr. Stamford, except that he was requested to explain certain entries on the books which did not seem to us to be consistent with the terms of the contracts or other papers on which they should be based.

SPANISH AMERICAN DEPARTMENT.

The prominence given to the affairs of the Spanish American Department by the press and the company induced us to take up that question first, after the examination of the assets of the company.

This appellation is the name or title of the agency, firm or partnership, consisting of Joaquin Sanchez y de Larragoiti and Julio Merzbacher, created for the purpose of representing the company as agents in South and Central America, Mexico and the Antilles, under certain contracts and memorandums dated January 21st, 1887, as altered or modified by subsequent stipulations, concessions and allowances by the president.

The main features of the original contract are as follows:—

SECTION 3.—"It is agreed that said agents shall keep regular and accurate statements of all transactions for account of said company, and, whenever required by said company, or its authorized agent, shall transmit to said company a report in detail embracing every item of business done by or through them, and of all monies collected or received by or through them for said company."

SECTION 4.—"It is agreed that all books of account, documents, vouchers and other looks or papers connected with the business of said agency shall be the property of said company, whether paid for by said company or not, and at any and all times shall be open to said company or its representatives for the purpose of examination, and shall be turned over to said company, or its representatives, on the order of said company or on termination of said agency."

SECTION 5.—"It is agreed that all monies or securities received or collected by said agents, for or on behalf of said company, shall be securely held by them as a fiduciary trust, and shall be used by them for no personal or other purpose whatever, but shall be by them immediately paid over to said company in accordance with its instructions; and it is expressly stipulated and agreed between the parties hereto, that in case said agents shall withhold any funds, policies or receipts belonging to said company after such funds, policies or receipts have been reported upon and transmitted to said company, or if they shall withhold any funds, policies or receipts after they shall have been demanded from them in writing by said company, such dereliction shall work a forfeiture to said company, unconditionally, of all claims whatsoever accrued or to accrue under this agreement to said agents; but nothing herein shall be construed to affect any claims of said company on said agents."

SECTION 6.—"It is agreed that the district within which said agents shall have permission to operate is the Spanish American Department of said company, comprising South and Central America, Mexico and the Antilles."

SECTION 20.—"It is agreed that upon the original (first year's or parts thereof) cash premiums procured by said agents upon the classes of policies heretofore named 'One,' 'Two,' and 'Three,' and 'Three and one-half,' they shall be allowed an extra commission of ten per cent. (10%) to cover contingent expenses."

SECTION 13.—"It is agreed that the allowances for office and other expenses, a written memorandum of which is filed herewith, shall be paid by the said company only upon actual expenditure and upon vouchers satisfactory to said company being furnished; said company, however, reserving to itself the right and privilege of adding or deducting from these allowances at its own will and pleasure, the same being optional at all times with the said company, and the said allowances to be made only when good and sufficient reasons exist for believing and knowing that said allowances are necessary for the purpose of increasing the business and carrying out the designs of the said company and said agents in building up an immense department."

SECTION 14.—"It is agreed that all premiums collected by or through said agents during the terms of this agreement shall be at the risk of said company after being placed in the hands of bankers acceptable to the said company, and after said agents shall have been notified in writing by said company of such acceptability." (See letter herewith.)

SECTION 18.—"It is agreed that the necessary expenses for medical examinations, for postage between the parties to this agreement, and for expressage on documents and other things sent by said company to said agent, shall be paid by said company; that said company shall

furnish to said agents such a supply of blanks and circulars as it shall deem reasonable, to enable them to carry on business as said agents as aforesaid; that said company shall be liable to pay no charge other than is herein stated or as shall hereafter be allowed by special written permission of said company."

SECTION 20.—"It is agreed that said agents shall keep deposited with said company a satisfactory bond for the faithful performance of this agreement and all duties pertaining to said agency."

Section 7 provides that they may appoint subordinate agents.

Sections 8, 9, 11, 12 and 15 provide for the commissions to be allowed them.

Letter of the same date, attached to contract, increased the amount of the commissions. Also letter of same date attached to contract defines the allowances for office and other expenses referred to in section 13. The following additional agreement of same date relates to the partnership in profits, to wit:—

THIS AGREEMENT, made this 21st day of January, in the year 1887, between the New York Life Insurance Company, party of the first part, and Joaquin Sanchez y de Larragoiti and Julio Merzbacher, both of the City of New York, County of New York, State of New York, parties of the second part, WITNESSETH:—

That the said parties do hereby mutually covenant and agree, each with the other, as follows, to wit:—

That in addition to the terms and conditions of the agreement of this date, whereby said party of the first part, contemporaneously with the execution of this agreement, appoints said parties of the second part as agents of the Spanish American Department of the said party of the first part, and as a part of the consideration for said appointment, it is further agreed as follows. The following clauses to have the same force and effect as if contained in said agreement:—

First.—It is agreed that the net profits under the said agreement shall be the remainder, after deducting the actual cost to the parties of the second part of procuring any business that may be obtained under said agreement from the compensation provided by said agreement of every name and nature.

Second.—It is agreed that one-third of said net profits during each and every year, ending 31st day of December in each year of the continuance of said agreement, shall annually be returned to the said party of the first part by the said parties of the second part.

Third.—It is agreed that, for the purpose of determining the amount of said net profits, said parties of the second part shall make a detailed annual report, showing the entire expense of obtaining the business secured by the said parties of the second part under said agreement, and that said annual reports shall be made within four months after the 31st day of December of every year during the continuance of said agreement.

By the following agreement, dated January 21st, 1889, various other important concessions were made to the agency:—

MEMORANDUM OF AGREEMENT made this 21st day of January, 1889, between the New York Life Insurance Company, party of the first part, and Joaquin Sanchez y de Larragoiti and Julio Merzbacher of the second part.

* * * * *

It is agreed that the renewal commissions allowed under section 8 of said agreement for the second, third, fourth, fifth, sixth and seventh years of assurance shall be continued (subject to the limitations contained in said section 8) to the tenth year inclusive of assurances not tantine, to the fifteenth year inclusive of assurances with fifteen year tantine period, to the twentieth year inclusive of assurances with twenty year tantine period, provided said assurances shall remain in force for ten, fifteen and twenty years respectively, and provided said parties of the second part shall faithfully carry out said agreement and any modification thereto.

It is agreed that the provision of section 8 of said agreement, as to the collection of premiums otherwise than by said agents, reading, "Unless the commissions to sub-agents or collectors shall exceed that percentage, in which case the deduction shall be the amount allowed to them for the collection of said premiums," shall be changed to read: "Unless the average of the amounts paid for the collection of said premiums, taken as a whole, shall in any way exceed said percentage, in which case the excess in any way shall be deducted in addition thereto; provided, however, that no higher rate of commission shall be paid to any sub-agent than provided by his contract with said parties of the second part, so long as his contract continues.

It is agreed that the provisions of section 11 of said agreement shall be extended to the non-forfeiting, free tantine investment plan, five year limited endowment plan as may have been raised to that plan by the medical board of said party of the first part.

It is agreed that the written memorandum of allowances referred to in section 13 of said agreement, subject to the limitations contained in said section 13, shall be modified as follows:—

1. The allowances for the travelling expenses of Mr. Sanchez shall be increased from \$2,500 to \$6,000 per annum.
2. The allowances for the expenses of the Central Office at New York shall be increased from \$1,800 to \$12,000 per annum, for the years only in which the new business of said parties of the second part on

which one annual cash premium shall be obtained, collected, paid to and received by said party of the first part, shall average \$15,000,000 per annum in the money of the applications, allowing four months from the 31st day of December of every year, in which to close up and report that part of the previous year's business which, under the ordinary rules of the company, has not been collected on that day.

It is agreed that the last three words in brackets in section 14 of said agreement, and the letter referred to by them, shall be cancelled with the specific and distinct understanding that the provisions of said section, as originally written, remain otherwise unchanged.

In a letter dated July 3rd, 1888, President Beers informs the Spanish American Department, that the fee for the collection of premiums upon which the company has no renewal commission to pay will be four per cent. (4%) instead of two per cent. (2%) as formerly.

The premiums covered by this "concession" covered the premiums on A. G. Dickinson's business on which his renewal interest had terminated. We believe this to be an extravagant collection fee. It is equivalent to a good renewal commission on business procured by another.

Sanchez and Merzbacher continued to act as agents under these contracts until December 16th, 1890, when a new contract, given in full hereafter, was made between Sanchez and the company.

When this agency was formed, the understanding was that Sanchez was to be the field member of the firm, travelling from one country to another, appointing sub-agents, etc., etc., while Merzbacher was to attend to the office business, receive the cash, keep the books, make remittances, and render the necessary accounts for the settlement. On December 31st, 1890, a settlement was arranged between Sanchez and the company, by which it appeared that on that date the Spanish American Department owed to the company the sum of \$795,804.04 for premiums actually collected and reported to the company, after deducting all commissions and allowances as provided in the contracts, together with such other allowances and concessions hereinafter mentioned as were authorized by the president.

Of this indebtedness \$256,921.19 was estimated as collectible, being balances due from the several sub-agencies, the remaining \$538,882.85 being represented by Merzbacher's stealings, and a sum of \$119,059.92 claimed from A. G. Dickinson, explained hereafter. It is amazing that so large an amount could have been stolen without any suspicion having been aroused on the part of the officers.

In looking into the management of this department, the first thing done was to prepare a statement, from the company's ledger, of the balances due the company at the end of each month. Beginning without indebtedness in January, 1887, the agency, at the end of the year, owed the company \$303,047.64, and the balances due at the end of each month thereafter are set forth in the following table:—

MONTHLY BALANCES SPANISH AMERICAN DEPARTMENT, AS PER COMPANY'S LEDGER.

	1888.	1889.	1890.
February.....	\$359,951 58	\$418,043 21	\$516,702 21
March.....	260,703 99	512,095 57	417,585 9
April.....	260,100 50	476,088 96	551,874 69
May.....	271,283 55	486,193 68	590,450 56
June.....	403,901 03	546,644 49	618,298 82
July.....	437,202 25	570,665 97	546,879 45
August.....	435,823 86	512,581 62	631,523 18
September.....	520,457 70	594,551 78	611,545 16
October.....	507,306 90	616,314 58	727,245 13
November.....	525,485 95	676,081 03	620,016 91
December.....	409,375 04	495,952 07	795,804 04

The balance for January of each year is substantially the same as for December preceding.

If the president knew that this account was in this condition, he was culpably negligent in permitting it; and if he did not know it, he is equally censurable. If, on seeing the steadily increasing indebtedness of this agency, he had inspected Merzbacher's cash book, which, under the contract, he had a perfect right to do, and which was kept in a room in the company's home office building, he would have had no reason to doubt that the company was being robbed. Merzbacher did not foot or balance his cash book after June, 1887, and when footed it was found that the balances increased month by month, until on November 25th, 1890, it showed a balance of \$416,228.97 in excess of cash on hand. An inspection of his bank book would have informed Mr. Beers how much cash Merzbacher had with which to meet these balances.

Of this deficiency the sum of \$52,412.35 was subsequently realized from the private assets of Merzbacher, turned over to Sanchez and by him to the company, thus reducing the deficiency account by this amount. But for reasons given further on, it must be conceded that the deficiency should have been placed at a much higher figure than that arrived at in the settlement with Sanchez. The indebtedness on

December 31st, 1890, as above stated, was \$795,804.04. In arriving at this figure certain allowances were made to the Spanish American Department which are not specifically authorized by the contract.

Section 10 of the contract above referred to, in addition to other commissions, provides that a commission of 10% of the first year's premiums on certain policies shall be allowed to the agent to cover contingent expenses; section 13 provides that certain other specified sums shall be allowed the agents for office and other expenses; and section 18, after providing for the payment of physicians' fees, postage and expressage, concludes with the condition that "said company shall be liable to pay no charge other than is herein stated, or as shall hereafter be allowed by special written permission of said company." Here, then, in these three sections, we find a limit set to the amount that should be credited to the agents for expenses.

During the year 1890 the total amount of first year's premiums collected by the Spanish American Department on all forms of policies was \$648,999.19, 10% of this sum for contingent expenses is \$64,899.92. The amounts allowed for office and travelling expenses by "special written permission of the President" was \$60,600. These two items amount to \$125,499.92. There is no record of any other amounts having been allowed for expenses by "special written permission;" yet the agents were allowed to deduct, in their account for the year 1890, the sum of \$209,647.80 for "Advertising" and "Agency Expenses" (not including physicians' fees, \$26,875.67, which were credited as a separate item). All allowances, be it remembered, are in addition to the regular commissions, which for the year 1890 amounted to \$442,611.77. In addition to this, on the final settlement of December 31st, 1890, before referred to, allowances were made to the amount of \$67,348.94, made up of the following items:—

"Difference between J. Sanchez's and J. Merzbacher's annual guarantee and their shares of one-third each in the Spanish American Department profit and loss account, as per president's letter of August 24th, 1889, viz.:—	
J. Sanchez, 1887, guarantee \$30,000, less 1/3 of \$35,809.98	\$18,063 34
J. Sanchez, 1888, guarantee \$30,000, less 1/3 of \$41,108.28	16,297 24
J. Merzbacher, 1887, guarantee \$15,000, less 1/3 of \$35,809.98	3,063 34
J. Merzbacher, 1888, guarantee \$15,000, less 1/3 of \$41,108.28	1,297 24
Loss in exchange at Rio during 1889	11,344 47
Loss in exchange at Chili, 1889	3,925 81
Lawyers' Fees at Rio, 1885 to 1889	2,255 55
Company's share of lawyers' fees re H. Pritchard	2,566 06
Other expenses incurred at Rio	13,357 50
Total	\$67,348 94

The \$35,809.98 and \$41,108.28 appearing in the first four items represent the net profits of the agency for the years 1887 and 1888.

The greater portion, if not the whole, of this amount we hold to be an improper allowance to the agents. The first four items, amounting to \$38,721.16, represent the difference between Sanchez and Merzbacher's one third of the net profits of the company, and a claimed guarantee of \$30,000 per annum for Sanchez, and \$15,000 per annum for Merzbacher. If anything in the contract entitled Sanchez and Merzbacher to a guaranteed annual profit of \$30,000 and \$15,000 respectively, this would be a proper allowance. But the language of the contract under which they claim this guarantee is as follows:—

SECTION 17.—It is agreed that said agents shall be allowed to draw as an advance, against all commissions accruing or to accrue to them under and during the continuance of this agreement, the said Joaquin Sanchez at the rate of (\$30,000) thirty thousand dollars per annum, and the said Julio Merzbacher at the rate of (\$15,000) fifteen thousand dollars per annum, payable monthly, and that, in consideration thereof, all premiums on business secured by them shall be reported and paid over to said company free from any commissions or any charges whatever (except such commissions or other compensation said agents may pay to sub-agents or others under agreement approved by said company, for which vouchers satisfactory to said company shall be furnished).

It needs but a glance at this clause to inform you that this is in no sense a guarantee that each year's profits shall amount to the sum named, and as a matter of fact Sanchez and Merzbacher and the president took the same view of it, as the following correspondence fully proves:—

PARIS, July 30, 1889.

WM. H. BEERS, Esq.,
President, present.

Dear Sir:—As in one of our last interviews you had the kindness to grant me that the guarantee mentioned in article 17 of our contract, say of \$15,000 per annum, to Mr. J. Merzbacher, and of \$30,000 per annum to me, shall be considered every year from the beginning of said contract or from 1st January, 1887, I respectfully request you to confirm same to me in writing, or to affix your signature at the foot of this letter, which, after you return it to me, I will annex to our contract with the company. It is understood that said article 17 in our contract shall read in future as follows:—

"It is agreed that said agents shall be allowed to draw from the 1st January, 1889, as an advance against all profits accruing to them during

each year, and for the whole period of this agreement, the said J. Sanchez at the rate of thirty thousand dollars (\$30,000) each year, and the said J. Merzbacher at the rate of fifteen thousand dollars (\$15,000) each year, payable monthly, and that in consideration thereof, all premiums on business secured through them shall be reported and paid over to the company free, from all commissions and charges whatever for that year, during which the profit shall not suffice to cover the guarantee assigned to each one of them, except such commissions or other compensations said agents may pay to sub-agents or others under agreements approved by the company, for which vouchers satisfactory to said company shall be furnished."

The spirit of the above must be interpreted as follows: If, on the 31st of December of each one year, the general balance of the Spanish American Department does not show a net profit sufficient to cover the guarantee that has been assigned to each one of us, in accordance with the contract, the company shall make good any difference that may exist between the profits earned and the guarantee above mentioned of thirty thousand dollars (\$30,000) to Joaquin Sanchez, and of fifteen thousand dollars (\$15,000) to Julio Merzbacher, and on each 31st December, the same shall be done during the whole period that said contract is in force.

It is also agreed that should one of us retire from the management of the Spanish American Department at the end of the present or during the next year, he shall forfeit the advantages given him by this concession.

Although in granting our request you have simply done what is just and equitable, yet I beg to tell you my sincere thanks for your kindness, and remain, dear sir,

Yours very sincerely,
(Signed) J. SANCHEZ.

To which the following reply was made by Mr. Beers:
24th JUNE, 1889.

J. SANCHEZ, Esq.,
No. 346 Broadway, New York.

RE-AGREEMENT.

Dear Sir:—Referring to your letter, dated Paris, 30th July, 1889, in which you request a modification of section 17 of your agreement with the company, dated 21st January, 1887, we would say that, after consideration, said agreement is hereby modified as follows:—

First: It is agreed that in any year during the continuance of said agreement, in which one-third interest in the business of the agency created by said agreement shall not amount to the Thirty Thousand Dollars (\$30,000) advance, provided by section 17 of said agreement, the company will assume and pay the difference in cash.

Second: It is agreed that if you shall not remain in the service of the company for the full term of seven years, provided by section 21 of said agreement, this modification shall be null and void, and section 17 of said agreement shall remain in full force and effect as originally written, unless said agreement is sooner terminated by death.

Third: It is agreed that said agreement of 21st January, 1887, as it now exists, remains in full force and effect, except as herein specifically modified.

Fourth: This agreement, with this modification, shall take effect on your endorsement on this sheet of your approval and acceptance of the foregoing conditions.

Yours very truly,
W. H. BEERS,
President.

Approved and accepted, J. SANCHEZ.
(Encl.)

J. MEKZBACHER, Esq.,
No. 346 Broadway, New York City.

RE-AGREEMENT.

Dear Sir:—Referring to Mr. Sanchez's letter, dated Paris, 30th July, 1889, as to addition to contract, and our reply to him, dated Paris, August 24th, 1889, we would say that, upon further consideration of the matter, it does not seem to be fair that a concession should not be made to you corresponding to that made to him. We have, accordingly, executed and hand you enclosed a modification of your agreement corresponding to that made to Mr. Sanchez.

Yours truly,
W. H. BEERS,
President.

Mr. Sanchez and Mr. Merzbacher were each entirely familiar with the business in the Spanish American countries at the time of making the original contract in 1887, and were better qualified than anyone else to estimate the profits of the business, and without doubt they fully understood the meaning of section 17. There is no good reason apparent for making them a present of this \$38,721.16 at a time when the profits largely exceeded the proposed guarantees.

The next item "Loss in exchange at Rio during 1889, \$11,344.47," will be referred to further on. The other items are merely additional allowances which did not appear in the monthly reports.

In addition to these allowances, there are other items credited or allowed to the agents which are clearly not justified in any way. To

make this plain we will first present a copy of an account, from which entries on the journal were made up, as follows:—

Spanish American Department, To New York Life Insurance Company.		Agent at New York.
$\frac{1}{2}$ of profits in the Exchange a/c to Dec. 31st, 1888.....	\$21,848.05	Dr.
$\frac{1}{3}$ of profits during the year 1887.....	11,936.68	
$\frac{1}{3}$ of profits during the year 1888.....	13,702.76	
$\frac{1}{3}$ of profits during the year 1889.....	43,089.98	

\$90,577.45
American money.

Contra.:

Salary to Inspector, 3 years.....	\$30,000.00
Travelling expenses of Inspector from April, 1887, to December 31st, 1889, as per verbal agreement with the President.....	10,716.17

Balance for which check will be sent on demand.....
\$40,716.17
49,861.28

\$90,577.45
American money.

Spanish American Department of the
New York Life Insurance Co.

Signed: J. SANCHEZ, General Manager.

Dated December 31st, 1889.

The first item in this account represents the outcome of transactions of a peculiar character. When we first ran across this item " $\frac{1}{2}$ of profits in the exchange account to December 31st, 1888, \$21,848.05," and later on noticed the items mentioned above, "Loss in exchange at Rio and Chili during 1889, \$15,270.28," Mr. Beers and Mr. Stamford were requested to explain why the company, in case of a profit in exchange the company was obliged to stand the whole of it. Neither Mr. Beers nor Mr. Stamford could give a satisfactory answer on this point, and this brought up the whole subject of the profits in the Spanish American Department.

It will be observed that the partnership agreement of January 21st, 1887, under which the company is entitled to one-third of the profits, requires the agents to make a detailed report annually so that the company may know that it is receiving what it is entitled to. Mr. Beers and Mr. Stamford both assert that this detailed report has never been asked for or received, and that in fact there has never been any audit or verification of this account, and that there were no books or records in the office of the New York Life Insurance Company which would enable the undersigned to verify it. Upon ascertaining these facts, Mr. Beers was requested to cause Mr. Sanchez to bring his books from Barcelona to New York, which was accordingly done.

Before leaving Europe, however, Mr. Sanchez wrote the following letter in explanation of the exchange items:

BARCELONA, Oct. 9th, 1891.

WM. H. BEERS, Esq., President,
New York.

Dear Sir:—We are in receipt of your esteemed favor of the 15th ult., informing us of the remarks made by Deputy Superintendent Shannon in regard to the profits realized from exchange in Brazil some time ago. At first sight it would appear that Mr. Shannon's remarks are just, but we feel satisfied that upon the matters being properly explained to him he will readily alter his views on the subject.

The profits which were credited in equal parts to Messrs J. Sanchez, J. Merzbacher and the company on Dec. 31st, 1888, and June 26th, 1889, were the results of a special operation of which we beg to remind you.

Having been informed that the Brazilian Government contemplated calling for a loan of eight million pounds sterling (£8,000,000) in London to redeem its paper money, and later on that a syndicate of bankers had accepted the negotiations and signed them, our Mr. Sanchez foresaw that a profit could be realized from converting into gold the deposits in paper money made in the Brazilian treasury, and proposed the operation to you, on condition that, if carried out, the profits should be divided in the same proportion as the profits of the Spanish American Department were divided as per contract, the same, however, not to form part of the regular business of the Spanish American Department. At the same time, Mr. Sanchez asked you for permission to retain in the Brazilian banks for some time all the premiums that were then collecting, as by doing so a clear profit could be realized. In view of this special concession, we carried out the plan and realized the profits which appear on the books and of which the company received one-third. Mr. Shannon's remark to you, that if we participate in the profits on exchange we should also participate in the losses, would seem quite natural, but does not hold true under the existing circumstances, in view of the simple reason that there are no losses in exchange in our department. The items which appear on the books to the debit of the exchange account are the sums which we have to pay for the transfer of funds and commissions to brokers on the drafts which we buy for remittances to the company. The largest amount appearing on the books as charged to the company is of some \$22,000—in our account No. 98 of March 16th under the heading of "Losses in exchange in Brazil during 1890." Our collections during the year 1890 were, in round numbers, of \$1,400,000 American gold, and the debit of the

exchange of \$22,000 is only something like 1½% on said amount, which, you will admit, is a reasonable commission for transferring such collections from the banking agents of the interior to the Rio de Janeiro office and from Rio de Janeiro to New York. We repeat that although we use the same heading "Exchange Account," the sums debited to the company are not losses in exchange but commissions which have to be paid for the transfer of funds collected, and it has always been understood and agreed upon that such payments were to be borne by the company. The profits on exchange which Mr. Shannon refers to were derived from a different operation entirely, and one made by a previous special agreement as to the distribution of the profits to be derived. Furthermore, this was an operation which could not possibly give a loss. We are certain that you will remember the particular circumstances which we are relating, and will experience no difficulty in explaining same to Mr. Shannon.

We remain, dear sir,
Very truly yours,
Spanish American Department
of the New York Life Insurance Co.,
J. SANCHEZ,
General Manager.

This letter will give you a pretty fair general idea of the transaction, but does not give you all the facts in connection with it.

The profits from exchange referred to by Mr. Sanchez arose from two separate transactions. The first was that by which the company's deposit of Brazilian paper money with the Brazilian Government was withdrawn and British gold substituted therefor. On this transaction the net profit was \$24,665.77, that is to say, the paper money deposited with the Brazilian Government had increased that amount in value since the deposit was first made. Let us admit that this substitution of gold for paper money was for the best interests of the company, and that it could only have been brought about through the influence of Mr. Sanchez, and that, therefore, Mr. Sanchez was entitled to a share of the profit; by what process of reasoning can we arrive at the conclusion that Merzbacher, who had no hand or part in the transaction, should receive upwards of \$8,000 or any share of the profits.

The greater portion of the profits, however, arose from the second transaction, which Mr. Sanchez describes in the following words:—"At the same time, and for the same reasons as applied to the deposit, we had a lot of money obtained for the company, and I got a concession from Mr. Beers, and delayed the remittances until the effects of the change in the money will reflect on the market, and, in the meantime, to deposit all the money with the company's bankers to the credit of the company in the different banks, and wait until we thought the moment opportune to convert, and that has given us a different profit. This profit arose from the premiums detained there (Rio) through my suggestion to the president." To the question, "Was there any written contract made regarding this exchange profit?" Mr. Sanchez answered: "No, it was not written contract; it was verbal." In this latter transaction the profit amounted to \$40,878.38, of which Sanchez and Merzbacher were each awarded one-third, amounting altogether to \$27,252.25, which, with the \$16,443.85 given them on the first transaction, made a total allowance to the pair of \$43,696.10, while the company, whose money was involved, received only \$21,848.05.

Mr. Sanchez, in his Barcelona letter above quoted, says: "This was an operation which could not possibly give a loss." In this Mr. Sanchez is mistaken. The company stood the same chance of losing its money by the failure of the banks in which it was deposited as it did in what seems to have been a similar transaction in the Argentine Republic, whereby a sum equal to \$135,305.35, American money, received for premiums, was deposited with the English bank of the River Platte in Buenos Ayres. This bank has since suspended payment, and no one knows how much, if any, the company will receive out of it. For more than a year past there has been another alleged deposit in the Buenos Ayres branch of the Bank of Rio de Janeiro, amounting to about \$70,000 of American money, which has not yet been turned over to the company. Being asked why he did not turn the money over to the company, Mr. Sanchez said that the rate of exchange had not been favorable. Being questioned as to whether the rate of exchange would prevent its being transferred to the company's account in the same bank, his answer was that he had better opportunities for learning and keeping informed of the condition of exchange. If this money is really on deposit in this bank, it ought to be in the name of the company. Mr. Sanchez protests that there is no understanding that he is to receive any of the profits that may result from such favorable turn in exchange. But, as it is only necessary that the president should authorize it verbally, it is quite likely that Mr. Sanchez will be allowed credit for a full share of such profits, if any there be.

Mr. Sanchez, in his above quoted Barcelona letter, intimates that there is a difference between the regular exchange account and the particular exchange account from which the profits above referred to were made. This is true: there is a difference. That Brazilian transaction should have been entered on the ledger under the head of "Speculation Account." It was speculation with the company's funds pure and simple. The "concession" to Sanchez and Merzbacher of the \$43,696.10 of the profits of that speculation was an indefensible waste of the company's funds. It will be noticed that in the above account,

dated December 31st, 1889, the Spanish American Department takes credit for the following items:—

Salary to Inspector, 3 years.....\$30,000 00
Travelling expenses of Inspector from April, 1887, to
December 31st, 1889, as per verbal agreement with
the President.....\$10,716.17

In explanation of these items, it is perhaps best to give Mr. Beer's testimony thereon, which is as follows:—

Q. Now he charges for the salary of Inspector as per agreement; is that a written agreement?

A. No, it is an understanding between ourselves. I think the contract provides for an Inspector; that is my impression.

Q. Well, here is the contract.

A. That is my impression, at any rate that was my understanding. We had a right to send a special man there to keep track of the business.

Q. What are the duties of the Inspector?

A. He looks after the business generally and makes observations, sees how the business is running; sees what the general feeling is regarding the company; incidentally, the character of the agents employed, and incidentally also, the character of the examiners, and various matters of that kind of a strictly confidential nature.

Q. To whom does he report?

A. To the office.

Q. Are any of his reports on file?

A. No, they are almost all personally to myself; of course he has duties there that we do not allow even the agency to know about; I mean to say looking after the company's interests; ostensibly he would not have much to do in certain lines.

Q. What was the agreement regarding the inspector as to the amount of compensation? Was it \$10,000 a year?

A. \$10,000 a year and travelling expenses.

Q. Was that to be paid by the Spanish American Department?

A. No, it comes out of our share of the profits.

The inspector referred to in this conversation with Mr. Beers and in Mr. Sanchez's account, it is needless to say, is Mr. Leon Berthelot, a son-in-law of President Beers. He still continues in the employ of the company on the same conditions.

Previous to the appointment of Sanchez and Merzbacher the Spanish American business was transacted through the agency of A. G. Dickinson. Upon his retirement from the company on December 31st, 1886, he owed the company \$302,150.62. This amount was due for premiums actually collected by him and his sub-agents. Owing to some disputed claims for allowances, a settlement was not reached until August, 1888, when, in addition to cash received on his account in the meantime and other credits allowed him, he paid the company \$68,136.33, which amount the company received as full payment of his account. This balance was arrived at by crediting Dickinson's account and debiting the Spanish American Department (Sanchez and Merzbacher) with the net sum of \$120,230.69. This is entered on Dickinson's ledger account by a credit of \$181,665.46 and a debit of \$61,434.77, the difference being the amount stated; corresponding entries reversed being made on the account of Sanchez and Merzbacher,—that is to say, this sum of \$120,230.69 was transferred from the account of Dickinson, a perfectly responsible debtor, to that of Sanchez and Merzbacher, who not only were financially irresponsible, but were at the time, through Merzbacher's speculations, actually defaulters to the company. No satisfactory reason has ever been given us for making this transfer. The statement contained in the following conversation with Mr. Stamford is about the only attempt at explanation that has been made:—

Q. Were the accounts with the Spanish American Department all balanced and adjusted at the time that Sanchez and Merzbacher succeeded Col. Dickinson in the management of that department?

A. Yes; there was a certain balance carried from Mr. Dickinson's account, amounting to something over \$181,000, which was charged to the new firm because of what we called "floating balances" required in the several departments that were perfectly good accounts and that were assumed by Sanchez and Merzbacher.

There seems to be a wide difference of opinion between Mr. Stamford and Mr. Sanchez as to the amount of Dickinson's "floating balances" turned over to Sanchez and Merzbacher. In the foregoing statement Mr. Stamford said that it was above \$181,000. Sanchez says that it only amounted to \$95,000 and that there was actually collected of this amount only about \$60,000, and, as a matter of fact, the very first entry on the journal of the Spanish American Department was as follows:—

1887.

Jan. 1. Sundries.

To A. G. Dickinson

Debtor balances on the 31st Decem-
ber, 1886, accepted by us..... \$95,566.20

The rest of this entry consists of the names of the several agents and the amounts due from them, footing up the above total.

When Col. Dickinson retired from the company as its agent at the close of 1886, he was entitled to certain renewal commissions on premiums to be collected. Sanchez and Merzbacher were to collect these premiums, and turn over to Dickinson the amount due to him on such renewals. Sanchez now claims that Merzbacher, who was the finan-

cial manager of the agency, paid to Col. Dickinson \$119,059.93, more than Dickinson's renewals amounted to, and that a part of the deficiency is made up of this amount. Suit has been brought by Sanchez against Dickinson to recover this over-payment, the amount, if any, that may be recovered to be turned over to the New York Life Insurance Company in liquidation of the deficit.

There was no good reason for permitting Sanchez and Merzbacher to assume the responsibility of collecting the debts due to Dickinson by his agents, whether the amount was \$95,000 or \$181,000. Dickinson who, as has been said, was perfectly responsible, should have been required to settle his own indebtedness to the company.

If this course had been followed, the company would be in possession of \$120,000 more money than it now has.

It will be noticed that the contract provides that the agents shall give a bond to the company for the faithful performance of its conditions. On this question the following is the evidence:—

Q. Who are the bondsmen for Sanchez and Merzbacher?

Mr. Beers: They have no bond. Bonds are not worth anything. How are you to get a bond for a man who handles \$100,000 or \$200,000 a month? We had ample reason to trust Mr. Sanchez, because he had always made up his accounts from year to year for Col. Dickinson, and there never was a penny's difference between them. There was no objection to his accounts in any way. There is a good deal of theory in bonds.

In making the settlement with Sanchez last December, for the purpose of determining the amount of the deficiency, no account whatever was taken of interest on the sums withheld, and no interest has ever been charged on that account. The company undoubtedly should be entitled to interest on all sums advanced to agents, and interest at the rate of 6% per annum on the monthly balances of the Spanish American Department up to December 31st, 1890, would amount to about \$90,000.

Having fixed upon a certain amount as the deficit in the Spanish American Department, a new contract was entered into between the company and Mr. Sanchez, of which the following is a copy:

NEW YORK LIFE INSURANCE COMPANY,
346 and 348 Broadway,
NEW YORK, 16th December, 1890.

J. SANCHEZ, Esq.,
New York City.

RE-AGREEMENTS.

Dear Sir:—Your communications of 29th ultimo and 11th inst., relating to desired modification of the agreements existing between Joaquin Sanchez and Julio Merzbacher, doing business as the Spanish American Department of the New York Life Insurance Company and the company, with accompanying papers, were duly received and contents noted.

In reply, we would say that after careful consideration of said communications and accompanying papers, it has been decided that said existing agreements may be modified as follows:—

1. It is agreed that the company assents to the assignment to J. Sanchez by J. Merzbacher of all his rights under said existing agreements, and authorizes J. Sanchez to continue the agency created under said existing agreements.

2. It is agreed that any balance that may be due the company on the 31st December, 1890, from the Spanish American Department, shall be transferred to a special account for settlement outside of the general and regular business transacted subsequent to that date, and that all compensation required under the terms of said existing agreements shall be turned over to the company, as it accrues, for the credit of that account, except the advance provided for J. Sanchez by the terms of said existing agreements, which advances he shall be allowed to draw as heretofore until said account shall have been fully paid.

3. It is agreed that all available assets of J. Merzbacher, or the proceeds thereof, at the company's option, shall be immediately turned over to the company, for the credit of such account.

4. It is agreed that the refunding by Col. Dickinson of the amount stated to have been overpaid him shall be pressed and the amount turned over to the company as soon as received, for the credit of said account, and that no further payment shall be made to Col. Dickinson pending adjustment.

5. It is agreed that after said account shall have been fully paid, J. Sanchez shall receive the entire compensation provided under the terms of such existing agreement or any modification thereof, except the proportion of net profits to be returned to the company under agreement of 21st of January, 1887.

6. It is agreed that if J. Sanchez should die before said account shall have been fully paid, his executors or administrators shall be entitled to draw against his compensation under existing agreements at the rate of twenty thousand dollars (\$20,000) per annum, payable quarterly, until such account shall have been paid in full; and that after said accounts shall have been paid in full, an accounting shall be had with his executors or administrators, under and in accordance with the terms of said agreements.

7. It is agreed that proposition No. 2, as to the manner in which the business of the Spanish American Department shall be transacted with the company, of which the following is a copy, is approved to take effect as soon as the necessary arrangements can be made.

PROPOSITION NO. 2.

"All business will be transacted directly between the company and the sub-departments.

Remittances will be made by the sub-departments to the company. Applications will be sent directly to company.

Policies will be sent to the sub-departments. In one word, all transactions will be carried out between the company and the sub-departments.

There will be a corps of "Inspectors" with head office somewhere in Europe.

In New York there will be only a small office with one man to attend to such business which may require personal attention, and in order to give some commodities to Mr. Sanchez during his presence here.

Accounts will be rendered direct to the company by the different sub-departments; but as these do not charge the same commissions to which the Spanish American Department is entitled, the inspectors' head office in Europe will make special account, charging the difference according to contract."

It is agreed that the proposition, that all accounts rendered by the Spanish American Department subsequent to the 31st December shall be accompanied by a remittance to cover any debit balance that may show; and that to enable this to be done, the Spanish American Department shall have a floating credit for such an amount not exceeding \$100,000, as may be found necessary, is approved to take effect as soon as the necessary arrangements can be made.

10. It is agreed that said existing agreements, except as herein modified, shall remain in full force and effect.

11. It is agreed that these modifications shall take effect on the approval and acceptance hereon of J. Sanchez.

Yours truly,

(Signed) W. II. BEERS,

President.

Approved and accepted,

J. SANCHEZ.

One construction put upon this new contract by the president and Mr. Sanchez is, that under it the company must forego its claim to a share of the profits until the deficiency is made good by applying all the profits of the agency, with the exception of \$30,000 a year allowed to Mr. Sanchez, to its liquidation. This in effect makes the company bear one-third of Merzbacher's defalcation, although Hornblower & Byrne, in a letter written December 4th, 1890, in answer to certain inquiries, advised:—

"(6) There is nothing in any of the papers submitted to us which requires that you should stand one-third of the loss sustained by the parties of the second part.

"In deciding what constitutes one third of the net profits that you are entitled to have returned to you, there is no reason why the amount taken by either partner should be subtracted from the profits of the firm. 'Net profits' in the contract before us means the profits of the parties of the second part as a firm, and nothing that either one of these parties can do to the other can affect the question of what constitutes the profits of that firm."

By this contract, also, Mr. Sanchez is to receive \$30,000 a year until such time as the deficit is cancelled by the accumulation of profits, in which event he becomes entitled to draw, not only the third of the profits to which he was originally entitled, but also the one third to which Merzbacher would have been entitled; that is to say, as soon as the deficit is made good he will be entitled to twice as much profit as if there had been no defalcation. If his agency shall continue for eight or ten years, he will no doubt be a great deal better off financially than under the old arrangement; in fact he must look at Merzbacher's treachery as a blessing in disguise.

Another feature of the settlement with Mr. Sanchez is worthy of note. Mr. Sanchez deemed it essential that he should be in a position to draw his two-thirds share of the profits as soon as possible, and in accordance with the general tenor of his treatment by the company a method was adopted which would hasten the desired event. When, on December 31st, 1889, the balance due from the Spanish American Department was fixed at \$795,804.04, this amount was divided into two parts, one portion, \$419,822.92, being carried to a new account entitled on the ledger "Spanish American Department Suspended Account," and the remainder, \$375,981.12, remained in the general account. The "suspended account" is regarded as the actual deficit which is to be made good before Mr. Sanchez can draw on the profits of the agency. To this account is credited all the moneys paid in to the company by Mr. Sanchez since the date of settlement in excess of the amount due on current monthly accounts. The \$375,981.12 was not transferred to the "suspended account," for the alleged reason that it was composed of accounts which were looked upon as perfectly good: that is to say, it included \$119,059.93 due from A. G. Dickinson hereinbefore referred to, and \$256,921.19 due from various sub-agencies. Whether these agents' balances are good or not, we are, of course, unable to say; but it is a fact that only \$26,955.26 had been credited on this account up to the close of July, leaving a balance due thereon of \$349,025.86, while on the "Suspended Account," up to and including August 5th, the payments credited aggregate \$166,671.89, leaving an apparent deficit of only \$253,151.03.

The proper way to do would seem to be to debit the deficiency account with the entire amount due on December 31st, to wit: \$795,804.04, and credit it with such sums as the company should receive from Mr. Sanchez in excess of the balances due on current account; but then Mr. Sanchez would have to live on \$30,000 a year a much longer time.

Another item that should have entered into the amount fixed as the deficit is the company's share of the profits for the year 1890. The entire profits for that year were \$144,259.54, of which the company's share would be \$48,086.51. Mr. Sanchez contends that as this new contract provides for the application of all profits, including the company's share, to the cancellation of the deficit, and as the defalcation was discovered in 1890 (November 25th), and before the accounts for the year had been made up, therefore the company is not entitled to any share of the profits for that year. We do not quite agree with this reasoning.

The work of obtaining these facts has been very difficult and tedious on account of the devious and unusual methods of bookkeeping employed by the company. As an instance of this, we will again refer to the account of profits, of which a copy is given above, dated December 31st, 1889. This account shows that after deducting Berthelot's salary and expenses there was due to the company the sum of \$49,861.28, for which amount a check was subsequently sent to the company. The amount of this check was duly credited up to the account of the Spanish American Department on the general ledger, but nowhere on the books could we find any record of that department having been debited with the profits or credited with Berthelot's expenses. It appears that certain other items of expense which it was desired to allow the Spanish American Department, but which it was not desirable to have appear upon the books, were set off against the amount that would be debited to the company as profits. These items in the aggregate amount to \$67,348.94, being \$17,487.66 in excess of the amount of said check. This excess was thereupon entered in a lump sum simply as agency expenses, the check for \$49,861.28 being credited on the current account. On this particular point the evidence is as follows:—

Q. Does that \$49,000 appear in this balance sheet?

Mr. Stamford: No.

Q. I cannot quite understand yet how you could give them a credit for that cash remittance without charging them the balance due on net profits. Now this particular account here, those three items of commuted commissions I find in this \$322,309.27, but I do not quite understand why they should receive credit on the general account for that \$49,000 without being charged with the net profits. That \$49,000, if it is included in that \$303,000, goes to reduce their deficiency.

A. That is, apparently; it is not real. If there is a charge on the debit side of \$55,000 and there is a credit on the same account of \$50,000, it sometimes happens, or occurs, that instead of putting this on one side and that on the other, this entirely disappears so far as the ledger is concerned, leaving only \$5,000, which is on the same account, which saves so much bookkeeping.

Q. That might be so if in this case the amount received had been \$352,000, and instead of giving them credit for \$352,000 in cash you gave them credit for only \$303,000.

A. On the other side, Mr. Shannon, there are \$34,000.

Q. In which book?

A. Suppose there was some fresh account which would take up \$40,000 more? We do not carry that to the account under this particular heading, but you carry that amount less \$49,000 cash. It will save the bookkeeping.

Q. Is there any statement here which shows these different transfers?

A. Yes, there is a statement. There is an account which I have in my mind and from which this is made up—it would be necessary for you to have that before you could understand it.

Mr. Shannon: Yes, I cannot understand it without having that account.

From the foregoing statement of facts we must conclude that Sanchez and Merzbacher were treated with a degree of liberality inconsistent with the best interests of the company.

Mr. Banta in his statements refers to certain entries made on the ledger account of the Spanish American Department at the close of each year. These entries consist of a credit given the Spanish American Department purporting to represent the amount of money deposited with various banks in South America, but which had not at the time been turned over to the company, and upon opening the account for the succeeding year it is debited back with a like amount; for instance, on December 31st, 1888, the Spanish American Department received a net credit on this account of \$283,535.42, and in February, 1889, said account was debited with a like amount. This is a mere bookkeeping expedient for the purpose of obtaining credit for such amount as an asset in the item "deposited with banks and bankers in other cities" which is an admissible asset, instead of having it included in the item of agents' balances which are not allowed as an asset by the insurance department. If the amount is on deposit to the credit of the company in banks selected by it, these entries are entirely proper, otherwise not.

Mr. Beers, in his letter of December 16th, 1890, which was accepted and made part of the contract by Mr. Sanchez, lays down a rule that it would seem ought to be applied to all agents. It is as follows:—

"It is agreed that the propositions that all accounts rendered by the Spanish American Department subsequent to the 31st December shall be accompanied by a remittance to cover any debit balance that may show; and that to enable this to be done, the Spanish American Department shall have a floating credit for such an amount not exceeding \$100,000 as may be found necessary."

Col. A. G. Dickinson, the predecessor of Sanchez and Merzbacher as agent in the Spanish American countries, was requested, at the suggestion of Mr. Banta, to testify as to his knowledge of matters connected with the management of the company and the Spanish American Department. He refused to do so, and as the laws do not give the Superintendent of the Insurance Department power to compel witnesses to testify, we are unable to present his testimony.

L. C. VANUXEM & CO.

Referring to L. C. Vanuxem & Co., Mr. Banta, in his original charge, says:—

"The officers have given a territory, covering several of the most populous States, to the firm to whom they are most indebted for proxies, and have made the most extravagant allowances, and have allowed their account to be overdrawn several hundred thousand dollars. They have loaned this firm \$30,000 of the company's funds on personal notes of their sub-agents—notes which remain unpaid though overdue more than a year."

To this Mr. Beers' reply is as follows:—

"As to Specifications 1 and 2, referring to the firms of More & Vanuxem and Vanuxem & Co., the charge made is that a large territory was given to this firm in return for proxies, and that extravagant allowances have been made to them, and their account allowed to be overdrawn.

"These were fully investigated by the Committee of Trustees, and nothing new is cited by Mr. Banta in his communication to you. The fact is no special consideration or favor has been shown to this firm because of any obtaining of proxies, nor have any advances been made to them except from a purely business standpoint, with the object of increasing the business of the company. The amount of proxies which had been obtained through this firm at the time of the former examination was merely nominal,—to the best of my recollection not over a dozen. Since that time some additional proxies have been received from them, but no more than from other agents in proportion to their business. No funds of the company have been spent in obtaining said proxies. As to the statement of the accounts with that firm, the amount owing by them is much less to-day, in proportion to their business, than it was in 1887. The amount does not now exceed what we consider it good business to advance to any good department or agent doing as large a business. The officers of the company have had no motive whatever in their dealings with this firm, or any other agents, except to advance the interests of the company.

"The sub-agent's notes, referred to in Specification 2, were merely taken as additional collateral security to the indebtedness of Vanuxem & Co."

On August 17th, 1887, the balance due the company by L. C. Vanuxem & Co. was \$351,468.92. This is known as the "old account." On this account, up to October 31st, 1891, payment has been made to the amount of \$187,500, being at the rate of \$50,000 per annum. This leaves a balance of \$163,569.09 due on the old account, exclusive of interest. In addition to this balance there is another account, created in accordance with the following agreement:

THIS AGREEMENT made this fifteenth day of May, 1888, by and between Louis C. Vanuxem, William L. More and Joseph S. Neff, of Philadelphia, Pennsylvania, doing business as agents of the New York Life Insurance Company, under the firm name of L. C. Vanuxem & Company, subject to the approval of said New York Life Insurance Company;

Whereas, the floating indebtedness of said L. C. Vanuxem & Company to said New York Life Insurance Company is estimated to be Seventy-five thousand dollars (\$75,000);

And whereas the estimated annual cost of carrying on the business done by said L. C. Vanuxem & Company for said New York Life Insurance Company amounts to the sum of two hundred and one thousand one hundred and forty-nine and 27-100 dollars (\$201,149.27) per annum, as per annexed statement A, which is made a part of this agreement;

And whereas, while the total annual income of said L. C. Vanuxem & Company from commissions, bonuses and collection fees on said business, under agreements now existing with said New York Life Insurance Company, is estimated to more than equal said estimated annual cost of carrying on said business, the income in certain months may be less and in other months greater than the monthly payments necessary;

And whereas, it is desirable that the income and disbursements of said L. C. Vanuxem & Company shall be so adjusted as to obviate any necessity for their raising or borrowing any money from outside sources to carry on said business or pay off said floating indebtedness;

Now this agreement witnesseth, that for the above purposes and for the purposes hereinafter mentioned, the entire assets and financial business of the said L. C. Vanuxem & Company shall be placed from this

date under the sole charge and control of said Joseph S. Neff of said firm (but conducted in the firm name) subject to the following conditions:—

1st. That said Neff shall retain every month from the moneys received by him on account of business done by said L. C. Vanuxem & Company for said New York Life Insurance Company or on account of business connected therewith, of whatever name or nature, the amount of seventeen thousand dollars, which amount, or so much of it as shall be necessary, shall be expended by him in defraying the cost of carrying on said business as set forth in said statement A, and the amount so retained by Neff shall constitute an indebtedness from said L. C. Vanuxem & Company to said New York Life Insurance Company as against all compensations receivable under existing agreements.

2nd That said Neff shall, at the end of each month, account in detail to said New York Life Insurance Company, with accompanying vouchers, for the disbursement of the amount retained, as provided by section 1st, and shall remit any surplus together with the proceeds of any notes, accounts, loans, or of any other assets of any kind and nature belonging to said L. C. Vanuxem & Company which may be received by him to said New York Life Insurance Company, for the credit of the afore-said floating indebtedness and of any indebtedness that may accrue under section 1.

3rd. That said Neff, in remitting as aforesaid, shall report in full for all premiums received, free from any collection fees, commissions, renewals, bonuses or other charges except commissions to sub-agents not receiving advances or guarantees as provided by their respective agreements.

4th. That said New York Life Insurance Company may, at its option, discontinue or reduce any payments or advances enumerated in said statement A, except such as are guaranteed by contracts of said L. C. Vanuxem & Company, and except the monthly payments provided therein to be made to William L. More and Joseph S. Neff, which payments are hereby guaranteed to them as profits during the continuance of this agreement; that is, said payments shall be a charge against the business of said L. C. Vanuxem & Company, and said More and Neff shall not be called upon in any case to refund said payments.

5th. That this agreement shall continue until the income of the parties hereto, from their business as agents of said New York Life Insurance Company, shall so exceed the cost of carrying on said business that said floating indebtedness of said parties to said company, and also any indebtedness that may accrue under section 1, shall have been liquidated and shall cease thereafter.

6th. That it is distinctly understood and agreed that this agreement shall in no wise affect any agreements now existing between L. C. Vanuxem & Company and the New York Life Insurance Company, and that said agreements shall continue as to all parties thereto in full force and effect, except as herein stated.

In witness whereof the said parties hereto have hereunto set their hands and affixed their seals the

Signed) L. C. VANUXEM. (L. S.)
" WM. L. MORE. (L. S.)
" JOSEPH S. NEFF.

Sealed and delivered in presence of

R. H. CARPENTER.

In consideration of the execution of the above agreements and the appointment of said Joseph S. Neff as financial manager of said firm as therein set out, this company hereby approves said agreement to take effect from 1st May, 1888 and agrees to the method and time of payment as therein provided the indebtedness of said firm therein specified.

(Signed) WM. H. BEERS,
President.

Then follows a list of the items of the annual expense of conducting the business of Vanuxem & Co., aggregating \$201,149.27. Included in this list is the following item: "Special account as per agreement with the company of \$4,166.66 per month.....\$50,000." As above stated, the old account was reduced at the rate of \$50,000 per annum, which amount is realized by borrowing on this new account. The balance due on this new account on October 31st, 1891, was \$406,393.56, exclusive of interest.

Another item which must be added to the balance due by Vanuxem arises from the following circumstance: Another agreement was made with Vanuxem & Co. in 1889, under which they were to receive an additional advance equal to 15 per cent. of the second year's premiums and 5 per cent. of the fourth year's premiums, such advance to be a lien on the renewals accruing on 15 payment policies from the eleventh to the fifteenth year and on twenty payment policies from the sixteenth to the twentieth year. This amount was duly advanced, but the debt is immediately cancelled by Vanuxem & Company taking credit on their monthly statements for an equal sum as commissions earned, and, preposterous as the claim is, it has been allowed. The total amount thus taken as a credit as earned commissions, but which will not be earned until many years hence, is \$59,456.08, bringing the total of Vanuxem's indebtedness up to \$750,521.56.

Adding interest to the monthly balance will make this account stand as follows on October 31st, 1891:—	
Balance due on old account, August 17, 1887.....	\$35,468.92
Less 45 monthly payments of \$4,166.66 each.....	187,500.00
	<hr/>
Accrued interest at 6% per annum.....	\$163,968.92
	67,700.00
	<hr/>
Total amount due on "old account" ..	\$231,668.92
Balance due on "new account".....	\$406,396.56
Interest accrued thereon at 6% per annum.....	53,000.00
	<hr/>
Total amount due on new account.....	459,396.56
Commissions to accrue in 11 to 20 years credited on Vanuxem's account as earned commissions.....	59,456.08
	<hr/>
	\$750,521.56

The interest above mentioned has not been entered on the books of the company against Vanuxem. Being asked the reason for this, Mr. Beers states that Vanuxem & Co. were not legally chargeable with interest, because "nothing was said about interest at the time of making the advances." Now, in the report of the examination of Mr. Beers by the Trustees' Committee in 1887, referring to the balance due by Vanuxem & Co., the question was put to him, "Do they pay interest on advances?" Mr. Beers' answer was, "6% per annum, although they have made repeated application for a reduction of rate." This statement was made in extenuation of the charge that the advances were exorbitant. Now, Mr. Beers evidently deliberately intended to deceive his trustees in making this answer or in making the contract last above quoted.

This statement was made by him on October 27th, 1887, and we find that on May 15th following he made the agreement above quoted, leaving out the question of interest altogether, and now gives that as a reason why Vanuxem & Co. are not legally chargeable therewith. Vanuxem & Co. have no incentive to reduce the amount of their indebtedness. It does not cost them anything to borrow money from the company or to remain its debtor. In fact, they may, even now, be engaged in loaning this money out of interest, or otherwise using it for their own gain. Referring to this account in 1887, Mr. Beers stated to the committee: "I expect in three years that this account will be entirely clean on books of company, and they will not owe us a dollar." Mr. Beers does not seem to have been a very good prophet; instead of the account being paid off, the indebtedness has more than doubled, as shown by the figures above.

In his examination by the trustees in 1887, Mr. Beers testified that the reason they had so much advance was for the purpose of enabling them to get new business. Now, the business done in Vanuxem's agency is about the same in amount as that of the Spanish American Department. If there is anyone who knows how much money is required by the agents, it is Mr. Sanchez, and, in his proposal to the company after the Merzbacher defalcation, which was accepted and made part of the contract of December 16th, 1890, quoted above, he proposed to settle each and every account, with a check for the balance due thereon, with the understanding that he should have money advanced him to the extent of \$100,000. Now, if \$100,000 was thought by Mr. Sanchez to be a sufficient advance, the amount loaned to Vanuxem & Co. is certainly extravagant and unnecessary for the proper conduct of the business, and on all advances the company should require payment of interest, as the existence of a life insurance company depends in a great measure on the earning capacity of its assets.

But it is doubtful if this agreement of May 15th, 1888, does authorize an increase in the indebtedness existing at the time it was entered into. It seems to provide only for the adjustment of Vanuxem's commissions of one month with another, so that, if they fall below \$17,000 in one month, they may be able to meet their expenses for that month; and in case the commissions do not reach \$204,000 in any one year, Vanuxem may draw up to that amount. The company's security for this indebtedness consists in the renewal interest of Vanuxem & Co. The renewals for the year 1890 amounted to less than \$110,000. The amount of this renewal interest does not justify the making of such large advances.

Mr. Banta, in his charge, intimates that these advances are given to Vanuxem & Co. because they obtain proxies for him. We hardly take that view of it. Few agents would refuse to do a favor requiring so little trouble for the man who employs them at such profitable work.

By the device of allowing L. C. Vanuxem & Co. a collection fee on all premiums collected by them on which they are not entitled to renewal commissions, and fixing such collection fee at the same rate as their renewal commissions, the renewals of this firm are made continuous on all policies as long as they continue to act as agents for the company.

S. L. DINKELSPIEL.

Another agent referred to by Mr. Banta as having received excessive favors from the company was S. L. Dinkelspiel. He also charges that

Dinkelspiel's character was known to be bad. On this point the testimony of Mr. Beers before the Trustees' Committee in 1887 was as follows:—

"With reference to this gentleman's habits with regard to gambling, etc., he is very fond of horse races, and, I have heard, plays poker a great deal, but I have no personal knowledge as to this. I am not an admirer of his character. He associates with some of the best people here and, perhaps, some of the worst. He is what is called a lightning solicitor. I only wish this man was of a different character. His character, morally, is reported as not being the highest standard, but I have no personal knowledge; but we cannot always look into that. Mr. Dinkelspiel has been connected with life insurance, I suppose, sixteen or seventeen years. He was originally employed as solicitor in our Canadian agency under the direction of Mr. Walter Burke, our manager, under another name from that which he is now known by.

Q. What was that name?

A. I don't remember.

Mr. Strong: Mr. Banta says it was Mr. Lewis.

Mr. Beers: I believe that is the name. The reason, I think, was that he got into a scrape about a lady in Louisville, and hence removed to Montreal under an assumed name. He worked, I do not know how long, until he got into some very bad habits, and our manager came here and said, "Mr. Beers, I can't manage this man any longer. He keeps me walking the floor nights, and I am afraid some day he will do something wrong for which you hold me responsible." I said, "Very well, Mr. Burke, if you can't walk the floor, I do not want you to. You had better terminate arrangements."

He came to New York and went into the employ of the United States Life. He worked for them several years. I think he worked for them three or four years and then resigned. He got into some difficulties about money matters, although he had done a very large business for them. He came to me when he first came to New York and said he was coming to the United States to work. I told him I did not want him then, my place was filled; but if ever he got out of his present place to come and see me.

One day he came to me, probably ten years ago, and said: "Mr. Beers, I am dead broke. I have got to pay some money—a debt of honor—I cannot get any more money from the United States." I said "What do you want, Dinkelspiel?" He replied that he wanted so much money. I told him to "come and see me to-morrow." He had gotten so that his general reputation was much improved. I had an interview with the President of the United States about him, and they told me that they could not handle him, he was too big for them, but I could.

I made a contract with him, which was a very low one, and paid his debt amounting to some three or four thousand dollars. He went to work and was out of debt, if I recollect correctly, in thirty or sixty days. He has given me more anxiety than any other ten agents I have. If the men he insures are insured right, the business is good.

Q. Do you think the Board of Trustees, now that they know his character, can properly allow him to remain with the company?

Mr. Beers: It seems to me, and I am honest in the expression of this opinion, if I were a trustee I would leave it to the officers.

So much for Mr. Beers' knowledge of Dinkelspiel's character. He was continued in his position until about the close of 1889, during which time he reflected great discredit on the company by his misrepresentations which he made in obtaining business. There is no record here of his having done any business for the company since 1889.

On May 1st, 1889, the ledger account showed Dinkelspiel's indebtedness to be \$345,163.68. Various items, principally rebates, to the amount of \$24,243.13 have been charged against the account since that date. The interest from May 1st, 1889, amounting to about \$39,000, has not yet been entered. During the same time the account has been credited with sundry items amounting to \$1,305.08. It is also said that commissions amounting to \$43,668.92 have accrued on this account but have not yet been entered, as also two items of cash amounting to \$15,130, which had formerly been debited to the account but afterwards paid. This leaves a balance of \$348,282.29 due to the company by Dinkelspiel on October 31st, 1891. Interest at the rate of 5% per annum has been regularly charged up to this account on the money advanced and credited on payments made thereon. The net amount charged for interest is \$53,867.78. There are also rebates charged up against the account to the amount of \$201,402.62. These rebates are on policies issued prior to our anti-rebate law. Mr. Stamford says that Dinkelspiel claims that he was to be debited with only one-half of the rebates.

Mr. Beers says, in answer to the question "is Mr. Dinkelspiel entitled to one-half the rebates charged to him?" "My impression is that he was; some of them. I do not know whether it was all or not." Mr. Beers also says that Dinkelspiel was not legally chargeable with interest on the advances, because there was no understanding about it when the advances were made. The only clause in any of the contracts relating to rebates is one which provides that on certain policies issued in Chicago, and two policies in New York, Dinkelspiel should be charged with only one-half of the rebates. This account has been running since January, 1881. Money seems to have been advanced to him in very large amounts, even when his account was largely overdrawn. As an illustration, the following amounts of \$10,000 and up-

wards were paid to him at times when his account was overdrawn in excess of \$100,000:—

September 15th, 1883.....	\$10,000
February 27th, 1885.....	10,000
June 2nd, 1885.....	10,000
March 25th, 1886.....	10,000
June 4th, 1886.....	25,000
December 15th, 1886.....	20,000

Also numerous payments of smaller sums.

The total amount of commissions credited to Dinkelspiel's account from 1881 to October 31st, 1891, is \$294,354.42, in addition to which he was credited with salary amounting to \$69,875, being at the rate of \$625 a month from February 10th, 1881, to April, 1883; and at the rate of \$1,000 a month from April, 1883, to September, 1887. The amount of commissions to which Dinkelspiel is entitled seems to be rather indefinite. On his contract of 1881 he was allowed five renewals. By a subsequent understanding he is to have five additional renewals on the same business, and Mr. Beers now states that Dinkelspiel is entitled to continuous renewals on all his business. For the year 1888, a new contract was made with Dinkelspiel, giving him very large first commissions, with a proviso that if he did \$3,000,000 of paid business that year he should have an option of changing it into a renewal commission for a term of years, a portion of the first commissions being charged back to him. The amount of business on which premiums were paid that year was not much in excess of one-half this amount, as the company was obliged to cancel a large amount of business taken in California because of his misrepresentations. Mr. Beers, however, waived the conditions, and the renewal commissions are allowed to him and have been made continuous, that is to say, as long as the policies are in force. A slip of paper pinned to this contract states that the commissions on business of 1889 are to be on the same basis as for 1888.

We are unable to find any records showing that these renewals have been made continuous; that is done by Mr. Beers simply directing the accountant to credit Dinkelspiel's account with them.

If interest is to be charged against this account it is not likely that the indebtedness will ever be reduced to a lower figure than the balance above stated, as the renewals, although made continuous, do not equal the interest and rebates, and as lapses and deaths occur, the amount of the renewals will decrease. As stated above the total amount of commissions credited to Dinkelspiel since January, 1881, is \$294,354.42, while the rebates charged up against him during the same time amount to \$201,402.62. A comparison of these figures will show the extent of the rebate evil.

Incidentally it may be mentioned, that among the items which helped to swell Merzbacher's deficit was a loan of \$3,500 to S. L. Dinkelspiel on March 1st, 1887, and another of \$1,706.24 on October 30th, 1888, which have never been repaid.

CHARGE 4. "They have allowed the interest on the mortgage of "said agent to remain unpaid nearly three years without taking any "steps to collect it."

The company applied all money received from Dinkelspiel to his personal account rather than to the interest on his mortgage, as the latter was considered to be better security than the former, and so it has proved to be, as the interest amounting to several thousand dollars was recently paid to the company by the holder of a second mortgage.

In the early part of this report the methods of bookkeeping employed in this office were characterized as devious; in support of this, in addition to the instance heretofore given, it is only necessary to state that the general ledger of the company does not show the true condition of any of these accounts. For instance, on June 30th, 1891, the general ledger showed that the Spanish American Department owed only \$170,163.96; that L. C. Vanuxem & Co. had a credit balance of \$20,157.94, and that S. L. Dinkelspiel's account was balanced and closed. The accounts, as we have detailed them above, were obtained as follows:—

The Spanish American Department account was obtained from a special private ledger in which there are no other accounts but this. Dinkelspiel's account was obtained from a private ledger called the "sub-ledger." Vanuxem & Co.'s old account was obtained from the same sub-ledger; and Vanuxem & Co.'s new account, the one showing an indebtedness of \$406,000, is not verifiable from any of the books, the account being obtained from what is called "L. C. Vanuxem & Co.'s Financial Statement," which consists of the monthly accounts fastened together as they come in. There are other accounts in as bad a condition as these, but it is believed that you have sufficient information in the foregoing statements to enable you to form an opinion of the character of the agency business and its management. It is no wonder that a protest has been made against the expense of conducting the business.

The work of ascertaining the condition of the several accounts has been a tedious and perplexing job. A very great portion of the time spent in this examination was taken up in learning, as above stated, that the books of the company, as kept by its bookkeeper, do not exhibit the true condition of the accounts. Another difficulty experienced in this work was that so many of the entries on the different agents' accounts are governed, not by the express terms of the contracts, but by the verbal orders of the president, of which no record is kept. "Concessions," "allowances" and "extensions of renewals" were made to agents whenever the president thought proper to do so,

Section 8 of the By-Laws of the company is as follows: "The Supervisory and Agency Committee shall have the appointment and removal of agents and the fixing of their compensation. The said committee shall have a general supervision over the business of the company, and shall report to the Board from time to time such matters as in their judgment may require their approval and sanction.

"The president and vice president shall consult with them in all matters of doubt touching the business of the company."

On this point the testimony of Mr. Beers is as follows:—

Q. By what authority do you make the contracts with agents?

A. As general manager of the business.

Q. Is it under the by-laws?

A. No; in the duties of the president.

Q. I did not know but what the law providing for the appointment of an agency committee might affect—

A. There was something of that kind, but that was when the company was very small. To defer all questions about the agencies to the committee would keep them all day. If I thought there was anything at all difficult, I would not take the responsibility; I would consult somebody. We have been in the habit of consulting with our Finance Committee, being composed of our best men.

Q. You know the criticism is, that the by-law says that there should be an Agency Committee?

A. There is one, and it is regularly appointed every year, and the orders are that when I am in doubt I should consult them.

Q. But you never have any doubts, it seems?

A. No, Mr. Shannon, I never have any doubts of my own ability to make contracts.

We are unable to agree with Mr. Beers in his construction of the by-laws, as above indicated, for in addition to section 8, as above quoted, we find that section 17 provides as follows:—

"The president and vice-president shall have power to effect insurance, acting in conformity with the 12th section of these by-laws. They shall appoint, remove, and fix the compensation of each and every person, EXCEPT AGENTS, employed by the company, and shall, every three months, make a written report to the Supervisory Committee in relation to all changes made relating thereto. The president shall be *ex-officio* a member of all committees."

Nowhere in the by-laws do we find the authority claimed by the president. But, admitting that, with the existing conditions governing life insurance business, the president should be allowed to make the contracts, it ought to be the duty of the Board of Trustees to take measures to keep themselves informed as to the general management of the company, and insist that all contracts be in writing and submitted to them either before or immediately after they are made.

It would, perhaps, be well for the trustees to appoint a good accountant as auditor of the company, making him entirely independent of the executive officers as to amount of salary, tenure of office, duties, etc., etc., and responsible only to the Board, giving him such assistants as the work requires.

It may be objected that the executive officers, being elected by the trustees, are creatures of the Board, and do represent them. That is the theory of management. Practically, in corporations of this kind, the executive department is independent of the trustees, directors or by whatever name they are called, giving the Board as much or as little information about the business as they see fit to impart.

It is generally admitted, and from what has been learned during this examination, it cannot be truthfully denied, that the amounts paid to agents in the way of commissions, allowances, etc., etc., are extravagant and without excuse; and if no other remedy can be applied, it is a question whether the State should not, in the public interest, step in and place a limit to this expense. A precedent for such action can be found in the enactment of the law entitled "Chapter 471," passed June 6, 1881.

The laws impose on the Superintendent of the Insurance Department the duties of examining into the condition and affairs of insurance companies, and this necessarily implies the employment by companies of such methods of bookkeeping as will enable an examiner to make such examination with reasonable expedition.

The company has, in the main, an excellent Board of Trustees. Like trustees of large corporations generally, they are active business men, unable to spare sufficient time to the company to become entirely familiar with the details of its management. For the protection of their individual reputations, they ought to adopt such measures as would enable them to intelligently supervise the management of the company and protect the interests of the policyholders.

Mr. Beers has been the controlling spirit in the company for many years. This fact was known and felt by the trustees, as in the examination by their committee in 1887, the chairman is reported as addressing Mr. Beers in the following words: "This company is getting away beyond the management of any one man in all details. Your health is not good enough. You do too much for a man of your years. You are like a number of other business men now 'under the sod,' and if you continue you will be there many years sooner than you ought to. You have been in the habit of doing this business all yourself, and think nobody else can do it as well as you can. I believe the sooner you depart from this course the longer you will live."

CHARGE 5. "They have required the company's property to be insured in a fire insurance company in which they were stockholders

and directors, though at rates charged very much in excess of those offered by stronger companies."

The company referred to is the Farragut Fire Insurance Company. The amount of stock held by the officers in this is small, and the portion of profit they derive from the fire insurance of the New York Life being placed through it is so small that it is absurd to say that they would be influenced by it. There are circumstances, such as having the Farragut as a tenant, etc., which make it desirable to have this business done in this way.

CHARGE 6. "They have spent over \$120,000 in publishing the 'Massachusetts Souvenir' and the 'Public Service of the State of New York,' immenses volumes which had no connection with or benefit for company's business, charging this expense to 'brokerage.'"

About ten years ago the company engaged in the publication of the work in three large volumes, most expensively gotten up, entitled "The Public Service of the State of New York." The expense connected with this publication was in the neighborhood of \$100,000. Referring to this charge Mr. Beers says:—

"As to Specification 6, there was a book called 'Public Service of the State of New York,' gotten up, which, among other important subjects, contained matter relative to the New York Life Insurance Company, which will be advantageous to the business of the company if circulated. It was a legitimate advertising scheme, and the officers of the company had no other motive in the matter except to benefit the company. * * * That scheme involved the entire history of the State of New York, civil, judicial and everything, three enormous valuable books. The object was in the first place to place it in the public libraries all over Europe, sending it through the Government. In these books is the history of the New York Life Insurance Company from its inception down to that date, also of the Mutual, as being the two great mutual companies. We were then entering on business in Europe, and it was one of the methods whereby it was esteemed we could gain influence. Our agents could refer to these libraries and see what the New York Life Insurance Company was, etc. At the same time we sold a number of these copies, I think eight or ten thousand dollars' worth, to different people, some at \$400 per set, some \$300, \$200 and some at \$50. Our expectation at the time was to get the Legislature to pass a resolution to distribute them through State Departments. The resolution passed the Senate and Assembly, but Governor Cleveland put his pen through it, on the ground, if I recollect correctly, that it was not specifically referred to in the constitution. He afterwards said, so I was informed, when the character of the thing was explained to him, 'If you will put it in next year, perhaps I will pass it.' To the question, 'What proportion did Mutual Life pay?' Mr. Beers answered:—'At the time of President Winston's death there were negotiations going on with reference to a distribution of the whole edition. If we had completed arrangements, and if Winston had not died, and negotiations had been successful, it would have cost the New York Life a very small sum.'"

It may have been that the intentions of the officers in this matter were all right, but their judgment and management of the affair do not reflect great credit on them. In the first place, as the Mutual Life Insurance Company was to be equally benefited with the New York Life by this publication, it would seem that common business prudence would have required a written agreement between the two companies that each should bear its share of the expense. This was not done, possibly for the reason that the Mutual Life officers did not consider the value of the advertisement equal to its cost. The publication of histories and biographies is not one of the forms of business which the New York Life Insurance Company is authorized to engage in either by the laws of the State or its charter.

A publication similar in character and results to the foregoing was called "The Massachusetts Souvenir."

Referring to Charge 7, Mr. Banta specified that a large amount of money, in the neighborhood of \$100,000, was expended in Boston during the year 1890. It is true that money was retained by the Boston agency during the first six months of 1890, and on December 31st, 1890, the account was credited by "Agency Expenses, \$34,144.94;" "Law Expenses, \$40,000." Regarding these items the following is the testimony:—

Q. Mr. Stamford referred me to you about the Boston expenses in 1890. I think they were about \$70,000.

Mr. Beers:—Yes, sir, they were. I sent you up all the copies of the policies and everything, so as to give you an illustration of what the fight was.

Q. I did not get them.

A. I sent them up to you.

Q. The amount charged off to law expenses and agency expenses was simply the expense that the company was put to in contending for its right to issue this form of policy?

A. Not only that but also in regard to another matter. At that time there was no law by which you could appeal from the decision of the commissioner, but there was a law passed that took a good deal of the counsel, so that now you can appeal from the commissioner.

CHARGE 9. "They have paid many thousands of dollars in the shape of blackmail to prevent exposure of charges of misconduct in their management."

The truth of this charge is admitted by the officers. Several thousand dollars were paid to one Joseph Howard, for the purpose of sup-

pressing the publication of articles that he had prepared attacking the management of the company.

Charge 10 is that without authority of law, or at least in evasion of law, they have used the funds of the company to organize enterprises not contemplated by its charter. It is true that the company has subscribed and paid for the majority of the stock of the Manhattan Safe Deposit & Storage Company and the New York Security & Trust Company. As to whether this was a violation of the law or an evasion of it, we do not care to express an opinion. The laws relating to the investments of life insurance companies have been tinkered with so often by the Legislature, that it would require a judicial decision to decide this point.

The company owns \$197,100 of the \$200,000 stock of the Manhattan Safe Deposit & Storage Company, which is located in the basement and cellars of the company's home office building, No. 346 Broadway. This stock has been carried by the company in its assets at its par value, \$197,100. The construction account shows that upwards of \$160,000 have been expended in the construction of vaults, etc. In this statement we have allowed \$160,000 as the value of this stock.

This company was organized about ten years ago with what its incorporators believed to be good prospects of success, as it was located in the centre of the dry goods district, and there were no competing safe deposit vaults in the immediate vicinity. It has not been as prosperous as was expected, but has been growing steadily through very slowly.

Mr. Banta says: "I would add that the Safe Deposit Company paid \$12,000 a year rent to the New York Life Insurance Company for the premises it occupied, and charged the New York Life Insurance Company \$2,500 a year for the rent of a vault, and that since the present examination by the Insurance Department was begun, the rent paid by the Safe Deposit Company has been increased from \$12,000 to \$15,000 a year, and the rent paid by the New York Life Insurance Company for the vault has been increased from \$2,500 to \$12,500 a year."

This statement that this action was taken since the present examination was begun is not correct. The records of both companies show that this new arrangement was made long previous to the commencement of this examination. Under this arrangement the Safe Deposit Company is now in a position to pay a dividend of four per cent. per annum, and it is partly for this reason that the value of \$160,000 has been allowed on the stock.

Mr. Banta objects to this, and says that \$12,000 per annum is too high a rent for the company to pay, and that vaults could be fitted up on its own floor at a much less annual expense. Well, perhaps he is right; but if we held a policy in the New York Life Insurance Company, we would willingly pay our share of the additional \$9,000 a year, for the more perfect protection afforded by the Safe Deposit vaults to the company's immense and growing volume of securities.

CHARGE 11. "In violation of the by-laws of the company, which prohibit any alteration in the form of policies without consent of the Board, they have made numerous changes which have not been in the interest of the policyholders."

On this point Mr. Banta is mistaken, as the following preamble and resolution, adopted by the Board of Trustees on December 10th, 1879, prove:—

"WHEREAS, In consequence of the frequent present and contemplated changes in the statutory laws of different States and countries, in reference to life insurance, it becomes necessary, from time to time, to modify the forms of policies to comply with the requirements thereof.

"Therefore resolved, That the officers are hereby authorized to make such modifications and alterations in the forms of policies as fully conform to the laws of different States and countries in reference to life insurance, and such other changes as in their judgment the exigencies of present case may require."

CHARGE 15. "They have kept the trustees in ignorance of numerous defalcations, amounting in individual cases to sums of from twenty to fifty thousand dollars, and of other frauds where the company has paid as high as seventy thousand dollars in forged claims."

The minutes of the Board of Trustees do not show that the Board has been informed of any defalcations. If the Board had appointed an auditor, as suggested above, it is probable that these matters would have been brought to their attention.

CHARGE 16. "In violation of the by-laws, which require that all stocks belonging to the company shall stand in its own name, they have directed it to be made in the name of an individual, to enable them to sell it without the knowledge or consent of the Finance Committee."

One instance criticised by Mr. Banta relates to property on Elm street. Some lots in the rear of the main Home Office building were needed for the use of the company. If the owners knew that the company wanted this property, it was thought that a higher price would be asked for it, so it was bought in the name of a clerk of one of the trustees.

Mr. Banta also criticises the purchase of lots adjoining Holbrook Hall for like reason, bought in the name of a trustee, on the ground, apparently, that it was not needed in the conduct of the company's business. The company's records, however, show that orders received by the company from the Board of Health made it necessary to purchase this property,

Regarding other specifications under this head mentioned by Mr. Banta, Mr. Beers says: "As to Delaware, Lackawanna & Western stock referred to by Mr. Banta, this was kept in the name of L. L. White & Company for the purpose of convenience of sale." This is a curious answer. If this stock was bought for investment it would properly be kept in the name of the company. The fact that it was held in the name of L. L. White & Company for "convenience of sale" indicates that it was not bought for investment, and gives it a speculative flavor.

Mr. Beers also says: "As to the Erie Preferred Stock, the same is true. Both of these transactions were with the full knowledge and approval of the Finance Committee."

In May and June of 1889, 4,000 shares of Erie Preferred Stock were bought at a cost of \$282,587.50, being at about 70%. By the end of the year the quotations for this stock had fallen off, and the company, not wishing to have it appear among the assets, sold it on December 31st, 1889, to L. L. White & Co., at 62%, and on January 15th, 1890, bought it back again at the same price, paying interest to L. L. White & Co. for the time that elapsed between the sale and repurchase. On December 26th, 1890, the price having continued to decline, this stock was sold at 49½%, and bought back again at the same price on February 6th, 1891. During the present year this stock has rapidly increased in value, and the company recently sold its entire holding at about 72%.

CHARGE 18. "In violation of the law of the State which prohibits any director from receiving any compensation for selling securities to or for his company, they have bought and sold over twenty millions of bonds and stocks in the past four or five years through a member of the Finance Committee, who has not only received the ordinary commission fixed by the Exchange, but in cases very much in excess of that rate."

The law referred to in this charge is as follows:—

"L. 1881, Chap. 434. An act in relation to life insurance companies, passed May 31st, 1881.

SECTION 1. No director or officer of a life insurance company shall receive any money or valuable thing for negotiating, procuring or recommending any loan from such company, or for selling or aiding in the sale of any stocks or securities to or by such company.

SECTION 2. Any person violating the provisions of this act shall forfeit his position either as director or officer, or both, and shall be disqualified forever after from holding any such office in any life insurance company."

The director referred to in this charge is Mr. Loomis L. White, of Loomis L. White & Company, bankers of this city, who has been a trustee and member of the Finance Committee of the company since 1875, since which time the company has purchased upwards of \$60,000,000 worth of securities. On about \$10,000,000 of this, which were bought through the Stock Exchange, the company paid L. L. White & Company the usual broker's commission of one-eighth of one per cent. The remaining \$50,000,000 of securities were bought from bankers and others, who had offered them for sale to the company or to L. L. White & Company. On securities so purchased L. L. White & Company received, not from the company but from the persons from whom the securities were purchased, a commission of one-quarter to one-half of one per cent. A statement signed and sworn to by Loomis L. White, explaining his connection with these affairs, and in justification thereof, is filed herewith marked Exhibit "12." We quote from this statement as follows:—

"I wish to say at the outset that no man can judge of the labor that has been done by my firm in examining securities for the New York Life Insurance Company. It has not been a matter of mere execution of orders; it has been a matter of spending days upon days, and weeks upon weeks in the investigation of bonds and the mortgages by which they are secured, of the earning capacity of roads and of similar matters—which an experience of years as investment brokers had taught my firm was necessary for the safe buying of railroad securities. Any moneys that my firm have ever received in the way of commissions constitute but a small share of the expenses of the office of my firm, and are much less than the amount of money which my partner, Mr. Bartholomew, has received for a number of years from that firm, although almost his entire time has been devoted to the examination of securities which the New York Life Insurance Company has considered the advisability of purchasing.

"I have been for sixteen years a trustee of the New York Life Insurance Company, and when I first became such this was the condition of the company: It had a little less than \$5,000,000 invested in securities other than bonds and mortgages on real estate, and nearly all that was in United States, New York City and Brooklyn bonds. The company had never gone at all into the question of railroad securities. Their permanent investments in railroad bonds and stocks, municipal bonds and the like are worth in the neighborhood of \$65,000,000, which is between \$3,000,000 and \$4,000,000 more than the company paid for them. I accepted the position of trustee in 1875, at the earnest solicitation of Mr. Franklin, who was then the president of the company, and was put on the Finance Committee. Nearly everyone of these \$65,000,000 of securities has been examined by my firm, and eight or ten times as many more millions with just as much thoroughness and care, which the company did not buy.

"The work done for the New York Life Insurance Company has taken nearly half my time, and almost the entire time of my partner,

Mr. Bartholomew, who was taken as a partner by me mainly in order that he might have charge of examining the securities which the company thought of purchasing.

"The average amount per annum which my firm has received in any way in connection with their services for the New York Life Insurance Company has been but a small share of the expenses of my office. My firm, when executing orders for the company in the Stock Exchange, has never charged more than the ordinary commission, and has never received in any transaction anything except regular banker's or broker's commissions.

"I have never known since I have been a trustee of the New York Life Insurance Co. of any purchase by that company of securities of any sort, whether that purchase was made from Loomis L. White & Co., or of others after consultation with L. L. White & Co., where that purchase could have been made for one cent less than the New York Life Insurance Company actually paid. In all their purchases they have had the advantage of my forty years' experience as a broker, and the advantage of all the information, knowledge and experience that the firm of L. L. White & Co. possessed."

Large quantities of these securities were purchased from Drexel, Morgan & Co. and Kuhn, Loeb & Co., of this city. A letter, of which the following is a copy, was addressed to each of these parties:—

DECEMBER 21st, 1891.

Gentlemen:—It appears from the books of the New York Life Insurance Company that the securities described below were purchased from you by said company on the dates and at the prices mentioned.

Loomis L. White, Esq., of Loomis L. White & Co., No. 40 Wall street, this city, informs me that he has received the usual banker's commissions on certain bonds sold by your firm to said company.

I am now engaged in conducting an official examination of the affairs of said company, and one of the charges against the management is that the cost of its investments was greater than should have been, owing to the connection of Mr. White with the company. Will you, therefore, please answer the following questions:—

1st. Did you pay to L. L. White, or L. L. White & Co., a commission on all or any of the securities sold by you to said company as described below, and if so, how much on each sale?

2nd. Were all or any of said securities offered by you directly to the company, or was it necessary to a sale that the offers be made to the company through L. L. White & Co. or a member of the firm?

3rd. If securities were offered directly to the company, and you had no banker's or broker's commissions to pay thereon, would not the company have been enabled to obtain such securities at a lower figure than it has actually paid for them?

4th. Did Mr. White's position as trustee and member of the Finance Committee of said company affect in any manner the cost to the company of the securities sold to it by you?

An early answer will oblige.

(Then follows a list of the securities bought from said firms.)

The following are the replies to this letter:—

NEW YORK, Dec. 23rd, 1891.

MICHAEL SHANNON, Esq.,

Deputy Superintendent State of New York Insurance Dept.,
62 Cedar st.

Dear Sir:—We are in receipt of your favor of 21st inst.

As to your first enquiry whether we paid L. L. White & Co. commissions or not, and if so, how much on each sale, we must respectfully decline to answer. We do not feel that anyone has a right to inquire from the particulars of our business. We have no doubt that L. L. White & Co. would gladly furnish you themselves with the information, but we do not feel that we have any right to do so.

Secondly: So far as we can remember, none of the securities mentioned by you were offered by us direct to the company; and so far as we know, it was not necessary to a sale that the offers should be made to the company through L. L. White & Co., or a member of that firm.

Third: As the securities were never offered directly to the company, it is impossible for us to say what would have been the consequences had they been so offered; but we would state that it is not our habit to allow to buyers the commission due to bankers and brokers, otherwise, as you will readily see, we should not be able to command the services of bankers and brokers in selling securities.

Fourth: We would state, in all frankness, that Mr. White's position as trustee and member of the Finance Committee did not affect in any manner the cost to the company of the securities sold to it by us.

Having thus answered in detail your enquiries, you will allow us perhaps to state that we think Mr. White's position as trustee and member of the Finance Committee was of great benefit to the company in the purchase of securities, and that he well earned any commission that he received, in our opinion. We think any unprejudiced person looking at the securities purchased, the price paid, and the present value, to say nothing of the personal examination made by him, warrants the opinion we have expressed.

Yours respectfully,

(Signed)

DREXEL, MORGAN & Co.

NEW YORK, Dec. 23rd, 1891.

MICHAEL SHANNON, Esq.,

Deputy Sup't. Insurance Department, State of New York, 62
to 64 Cedar Street, City.

Dear Sir:—We have your communication of the 21st inst., the contents of which have had our attention.

We reply to your questions as follows:—

1. We have never paid any commission to Mr. Loomis L. White personally, but we have, in instances where the firm of L. L. White & Co. have acted as brokers between us and the New York Life Insurance Co., paid them commissions as follows:—

On sale made July 2nd, 1886, of \$200,000 Northwest 6% bonds, and \$500,000 St. Paul, Minneapolis and Manitoba 6% bonds, a commission of not quite 3/8%.

On a sale made November 8th, 1886, of \$1,000,000 St. Paul, Minneapolis and Manitoba 4 1/2% bonds, a commission of 1/2%.

On a sale made, April 23rd, 1887, deliverable July 15th, of \$250,000 Northwest 6% bonds, a commission of 1/2%.

On a sale made, March 29th, 1889, of \$400,000 Chateauguay Ore & Iron Co. Guaranteed bonds, a commission of 1/2%.

On a sale made, Feb. 16th, 1891, of \$2,000,000 Northwest Debenture 5% bonds, 1/2% commission was paid to Messrs. L. L. White & Co.

To question No. 2 we reply: That, as a rule, our offers of securities to the New York Life Insurance Co. were made through Messrs. L. L. White & Co.; but we at no time understood that it was necessary to a sale that the offers should be made to the company through Messrs. L. L. White & Co.

To question No. 3 we reply: If the securities had been offered direct to the company, we should in all probability have obtained a higher price, as it is not usual to pay commissions to principals. Whenever Messrs. L. L. White & Co. acted as brokers between us and the New York Life Insurance Co., they endeavored to make as favorable a bargain as could possibly be made, and, as we take it, the New York Life Insurance Co. saved considerable money by reason of the intervention of Messrs. L. L. White & Co.

Question No. 4 is already replied to in our answer to question No. 3.

Very respectfully,

KUHN, LOEB & Co.

Messrs. Drexel, Morgan & Co. and Messrs. Kuhn, Loeb & Co. are bankers of the very highest standing in this community, and their opinions on financial questions are entitled to great weight. But still we are inclined to think that the views of Mr. White on the question of purchasing securities for the New York Life are apt to be colored somewhat by the fact, that on the completion of a purchase he is to receive a commission of, say, 1/2 of one per cent., and as an illustration of this we desire to call your attention to one transaction which occurred this year. On November 19th last, Mr. Banta called on me, and said that he had been informed that the Equitable Life Assurance Society had purchased, in the early part of the year, from Messrs. Kuhn, Loeb & Co., \$2,000,000 worth of the 5% thirty year Debenture Bonds of the Chicago & Northwestern Railroad Company at the price of 101 and interest, and that the New York Life Insurance Company had purchased at paying therefor 103 and interest, and that on this transaction Messrs. Kuhn, Loeb & Co. paid Mr. Loomis L. White the sum of \$10,000. As the Equitable is subject to the examination of the Insurance Department, far as it relates to this transaction, and also of the records of the Finance Committee of the New York Life, and it was ascertained that the purchases were made by the two companies within two days of each other at the prices named above. It is stated by the Equitable people that they had an advantage over the New York Life in this matter, because one of their directors is also a director in the Chicago & Northwest R. R. Co., and through his influence they were enabled to get the bonds at the lowest rate.

These bonds were first brought to the attention of the New York Life Insurance Company by Mr. White, and, as the minutes of the trustees state, they were purchased by the officers of the company after consultation with Messrs. White and Strong, and the purchase was confirmed by the Finance Committee at its meeting a few days later. As the difference in the prices paid by the two companies is so great, amounting to \$40,000, it would seem that Mr. White's long experience in the business was not of great value to the company in this instance.

The examination of securities offered to the company, when properly done, entails a great amount of labor, and is absolutely necessary for the protection of its funds. The adoption of a rule that such work should be done by an officer of the company, specifically prohibited from receiving any compensation for his services in such matters other than his salary, is worthy of serious consideration. In the case above noted where the company took one-half of the whole amount of bonds issued by the railroad, an officer charged with this duty would perhaps insist on the company being accorded as favorable terms as any other purchaser, whereas it would be to the interest of Mr. White to have the purchase made as soon as possible.

There is another question connected with Mr. White's position with the company which should be carefully considered,

In the annual report to the Insurance Department of December 31st, 1890, the amount of railroad securities owned by each of the three largest life insurance companies in New York, and the proportion they bore to the total assets, were, in round numbers, as follows:—

	Amount owned.	Percentage of total assets.
New York Life	\$54,000,000.00	47 per cent.
Mutual Life	41,000,000.00	28 " "
Equitable Life	36,000,000.00	31 " "

An analysis of the investments of the other great life insurance companies of the country show smaller percentages. In view of the fluctuations in such securities, these questions arise: Are the interests of the policyholders best conserved by the investment in railroad securities of so large a proportion of the assets as we find in the New York Life?

Does the fact that Mr. White (whose business is the purchase and sale of securities) is an influential member of the Finance Committee bear any relation to the amount of such investments?

CHARGE 19. "In violation of the law of the State, which prohibits loans on stock except on a margin of at least 20 per cent., they have made loans on very much less margins, and in one case at least the president has been personally interested in a loan where the securities were for months of less value than the amount borrowed thereon."

The following is Mr. Beers' testimony before the Trustees' Committee in 1887, on this point:—

"The party here referred to is Mr. Fisher. Some time ago Mr. Fisher wanted me to buy Central stock. I told him that I did not want to, and he bothered me about it considerably. Finally he said he would carry stock, and, as I understood him, would guarantee me against loss. I replied that if he did that I did not see any reason why I should not go in, as I could not lose anything if I did not make anything.

"The stock was finally bought for account of Mr. Fisher, Mr. Muser and myself. Mr. Fisher carried it for a long time, and I never heard anything about it. For some reason Mr. Fisher wanted to make a loan. I do not recollect what the margin was, but do not think it was 20%. The stock went down and Fisher would not respond after repeated solicitations. Finally, after we had solicited a number of times, he did put up more margin.

"Fisher died, account was closed up, and we each paid our share of the loss. That is the only interest I had in this loan, if it can be called an interest. Mr. Fisher was repeatedly asked to fix up this margin, and was not treated any differently from anybody else. There have been other cases where I have had large loans, and margin fell below 20%.

"I will say this, however: I have loaned over \$250,000,000 on temporary loans for the company, and in no case have they lost anything on any loans. After death of Mr. Fisher everything was settled up with company."

Q. Is it against by-laws to loan to trustees?
A. Directly, yes. But it is not lending to trustees when you loan to somebody else.

Q. Whose obligation had you in this case?
A. Mr. Hieronymous, but Mr. Fisher was behind it.

Q. You never considered loan in jeopardy?
A. Mr. Fisher was supposed to be worth a million dollars. His estate panned out from \$350,000 to \$500,000.

Q. Do you suppose Mr. Hieronymous was good even without Mr. Fisher?
A. I think he was. With reference to 20% margin, I do not think this company is affected by that law. I have never intended to have less than 20% on any loan.

Mr. Baldwin: If you had a loan on good stock that had been made at 20% margin, and it fell, you would not call for more margin until it got 7 or 8 points off?

Mr. Beers: Probably not, if party was responsible.

This would seem to establish the truth of this charge, except that portion of it which says that it is in violation of the laws of the State, and on that point, for reasons heretofore given, we do not express an opinion.

Mr. Fisher was a trustee of the company. No proof has been offered that any other loans have been made to trustees. A copy of the by-laws marked "Exhibit 13" is filed herewith.

CHARGE 20: "They have directed the falsification of the books and accounts of the company, to make it appear that it was doing a more profitable business than it really was; millions of dollars have been added to dividends paid and also to premiums received, which have had no existence. Other millions have been deducted from commissions and agency expenses, and added to payments on surrendered policies, to hide the expense as well as to make the returns to policyholders appear larger than they really are."

The following is Mr. Beers' reply to this charge as contained in his statement of October 31st, 1891:—

"As to specification 20. Mr. Banta states that he received a statement from Mr. Vail, the former bookkeeper, showing that the dividends declared by the Trustees from 1874 to 1883 inclusive amounted to \$11,374,000, while the dividends reported as having been paid in the annual statements during the same period amounted to \$16,921,000. This difference of figures is due to the method of making the entries with reference to reversionary dividends and purchased reversions. In this connection I refer you to the letter of the Hon. John A. McCall under date of December 14th, 1887, a copy of which is hereto attached.

This method was widely known and practised by other companies, notably the Mutual and Equitable. Mr. McCall's letter shows that it had the approval of the Insurance Department of this State."

We quote as follows from the letter of Mr. McCall referred to by Mr. Beers:—

"When I investigated the Mutual in 1881, I reported the mode of that company in this same particular per the following paragraphs:—

"It is proper under this heading to refer to the method adopted by the company in January of each year in adding to the premium receipts the total amount of the dividend declared, for the reason that an entry is made at once on the actuary's registers of a certain amount of paid up insurance, for which the sum of the dividend is treated as a single premium payment to purchase the insurance. If the transaction was closed by these two entries, possibly no criticism thereon would be proper, but it is well known that the insured has the option of applying the cash value of his dividends to a reduction of the premium when he so elects. Under the system in vogue in the 'Mutual,' and also in nearly all the other life companies that have been examined by the department, it necessitates an entry in the premium account of a premium paid by dividend, and a charge under disbursements of an equal sum as being paid for a surrendered policy or addition, thereby causing the cancellation of the amount of the paid-up insurance which had been heretofore entered. In consequence of this questionable method of treating the accounts, a part of the sum of \$2,489,425.99 was entered twice in premium receipts, and an equal number of times in disbursements—first as a dividend to the policyholder, and again as a purchase of surrendered policies.

"It is possible that the contrary opinion held by the worthy actuary of the company on this subject may be the correct one. He contends that the passage of the resolution declaring the dividend makes it compulsory on the company to proceed at once to enter the amount thereof on the registers: and the subsequent adjustments or changes must follow as a matter of course, and cannot be ignored."

As Mr. McCall describes this as a "questionable method of treating the accounts," we can hardly agree with Mr. Beers that it had the approval of the Insurance Department of this State. The method of making these entries should be altered so that neither the dividend account nor the premium account would be affected thereby. The proper course to pursue in this matter would be for the Superintendent of Insurance, and the officers of the several companies to agree upon some such method. In the meantime, it would be unfair to the New York Life Insurance Company to compel it to adopt a system of book-keeping which would place it at a great disadvantage with regard to other companies, or to criticize it for having followed the universal practice of other companies.

Reference has been made to the fact that in its annual statements to the Insurance Department, the company gives the cost value of the securities owned by it at figures nearly equal at all times to the market value of such securities, no matter how much they may vary in value from year to year. This is brought about by means of two forms of journal entry. First an entry is made in about the following form, for instance:—

Profit and Loss—to New York Central Bonds.....\$10,000.00.
To bring the cost of above bonds down to par value at time of maturity.

There can be no reasonable objection to an entry of this character. It is unquestionably true that a part of the cost of very many of the securities is due to the rate of interest receivable thereon; for instance, if a first class railroad issues a five per cent. bond for twenty years, and another equally good railroad issues a six per cent. bond running for a like period, the latter bond will certainly bring the higher price in the market; and when the company charges off each year to profit and loss a proper proportion on this account, it is not to be criticized. But there is another journal entry made by the New York Life which is not to be commended, and it is in the following form; for instance, when securities depreciate in value during the year, the following entry is made on December 31st:—

Profit and Loss.....\$165,323.50
To Sundry Bonds—to reduce the cost values to market values:

Atchison, Topeka & Santa Fe Railroad.....\$70,323.50.
Central Railroad & Banking Company, Georgia..... 95,000.00.

This latter entry of course reduces the book value of the bonds to the market value, and this figure is reported to the Insurance Department as the actual cost of the bonds to the company. There can be no objection to the entry being made for the purpose of determining the net profits for the year, if it is not used as a means of misrepresenting the cost of the bonds to the public through the publication of the annual report. The company is requested to report the cost, not the book value, of its securities, and should be required to so report. If the securities rise in value in the succeeding year, the amount of the appreciation may be restored to the account by an entry the reverse of the above.

CHARGES 23 AND 24.

CHARGE 23. "The President has directed the purchase and sale of millions of securities without the knowledge of the Finance Committee, in some cases purposely withholding information of intended sale because he knew it would be objected to."

CHARGE 24. "He has directed the sale of securities, without consent of the Finance Committee, through one member of the Finance Committee, with the agreement that the profit of the transaction should be shared by said trustee."

In Mr. Beers' statement to the undersigned, his answer is as follows: "As to specifications 23, 24 and 25, Mr. Banta is under an entire misapprehension as to the facts. This whole matter was examined fully by the committee of the Board of Trustees, and nothing new is added by Mr. Banta." In his testimony before the trustees in 1887, Mr. Beers' answer was: "That is absolutely untrue, with the exception of that case of Delaware, Lackawanna & Western, which I explained to committee." The explanation to the committee was that the Finance Committee had authorized the sale of one-half of the 20,000 shares of this stock held by the company, but that on March 1st, 1884, the day of the corner in Lackawanna, seeing the price of the stock going so high, and thinking that it would not last, he, with Mr. White, took the responsibility to sell the whole of it, but later in the day, to quote from the testimony, "before I left Mr. White's office I argued with myself, 'Now, suppose this stock should go up to 150 or 175, you are in a nice box. You have sold that stock without authority from committee, although if they were here no doubt they would authorize it, but still you sold without authority.' I finally said to Mr. White, the stock being lower than when I had ordered it sold: 'I am in a position that I do not like; I think you had better buy that stock back again. I do not feel like taking any chance on it.' The stock was bought back at a profit to company. Now, I did this with the best of motives in the world. As to division of profits, I have not the slightest recollection of ever having made such a statement. As I understand it, we got every cent there was in it. As far as I know about it, it was a clear, clean transaction."

Mr. Banta replies to this latter statement as follows:—"In reference to transaction in Delaware, Lackawanna & Western stock referred to on March 1st, 1884, I reiterate that Mr. Beers told me that 'White was to divide profits with us.' If it was a perfectly regular transaction or sale, why did not White & Co. send their check for the exact amount of the sale on March 1st, instead of remitting a balance of \$6,875 on the 3rd of March?"

Mr. White says:—"My answer to this is, that when we received the stock from the company we sent the company a certified check for an amount which would make the company secure for the stock placed in our hands until the sale was made. As a matter of fact when we came on the 3rd to make up a statement of the exact amount which we had received for the company's stock, we remitted them an additional check for \$6,875, the difference between the amount we had given them on receipt of the stock and before we had sold it, and the amount we had received from the stock when we actually did sell it."

We think this answer of Mr. White's to be a reasonable explanation of that part of the transaction. As the day on which these sales were made was one of the busiest known in Wall street, the accounts were not made up until the following day. The statement of sales made by Mr. White to the company corresponds with the entries of that date on his "Purchase & Sales Book."

CHARGE 25: "He has been speculating in Wall street through said member of the Finance Committee, sent hundreds of thousands of dollars of the company's money to him, for which the company held no security."

On this point Mr. Beers' testimony before the Trustees' Committee in 1887 was as follows:—

"The transaction referred to is one with L. L. White & Co. That \$350,000 was paid to Mr. White on account of purchase of D. L. & W. and N. W. Preferred Stock, which he was carrying for company at the time without any margin. Mr. White has frequently, at times when we did not have money, carried stock for us until we received our money. At the time the \$350,000 was sent down there was a panic in the money market, and banks refused to loan. Mr. White said he wanted margin on account of our purchase as he had to carry several of his customers. I replied:—"You are perfectly correct in your position; how much do you want?" He replied that \$350,000 would do. I knew that unless we took a firm position with the bank they would not let us have the money (we had no money at the time). I told Mr. Banta to go in and press the bank for \$350,000. He did, and they loaned us the money. I then ordered check sent Mr. White for \$150,000, and the next day sent him the remaining \$200,000. The reason why I sent two different checks at two different times was because I did not want to draw the whole amount out that bank loaned us immediately.

"No minutes were kept at that time of proceedings of Finance Committee. I was not then President. Since I have been president we have kept minutes.

"With regard to the receipts for the \$100,000 or \$150,000 sent White & Co., if Mr. Banta did not receive it, it was his business to see that he did."

Q. You took it for granted that he received one?

A. Yes. We intended to have just 10,000 shares of Chicago & Northwest, and order was given for Mr. White to buy sufficient to make up that amount. Mr. White bought 100 shares over, and as stock was higher than what we paid we kept it.

No proof has been offered by Mr. Banta in support of his charge that this money was sent to White & Co. on account of Mr. Beers' personal

speculations in Wall street. His only reference to that point of the charge is as follows:—"The following is simply an inference: When Mr. Beers came down that morning and told me to borrow \$350,000, he was in a great state of excitement. Mr. Franklin told me he was nearly crazy because he was carrying too much stock. There was an apprehension that things would go badly. It may be that if you will examine the Finance minutes book, you will find that the Finance Committee directed the purchase of \$250,000 Chicago & Northwest stock, but possibly you may not. The inference is that the \$250,000 Chicago & Northwest was Mr. Beers' own personal stock, and was turned over to the New York Life because it went down." We cannot accept Mr. Banta's inference as proof of so serious a charge. One proper criticism of this transaction is that \$350,000 was placed in the hands of L. L. White & Co., for which the company had no other security than L. L. White & Co.'s personal responsibility. Referring to this the Trustees Committee in 1887 remarked:—

"As to the \$350,000 sent down, as alleged, without security, he (L. L. White) testified that on May 13th, the New York Life owed White & Company \$808,000, which was for the purchase of 1,800 Northwest and 10,000 Delaware, Lackawanna & Western, and he further showed from his book that notice of 10,000 Del., Lack & Western had been duly sent. Against a fall in the value of this \$808,000 worth of stock the firm had no security. Money that day was from 1/8 to 1/4. Mr. White notified Mr. Beers that he saw no reason why he should carry the New York Life. Mr. Beers sent him \$150,000 and next day \$200,000, which was credited to the New York Life on account of the \$808,000 owed by the company to the firm.

"The advance of \$350,000 to Loomis L. White & Company was doubtless safe, but your committee think it inadvisable to make any advances of the company's money without collateral securities."

CHARGE 27, referring to Holbrook Hall, is hereinbefore explained.

CHARGE 28: "On the plea that he was entitled to a fee of \$10 paid to trustees for attendance at meetings of trustees and committees, and that he had inadvertently neglected to collect it, he had drawn for himself a check for \$2,800, being 'back pay for about a dozen years.'"

This fact is admitted by Mr. Beers. The committee of the Board of Trustees in 1887, commenting on this fact, say: "Your committee also find upon inquiry, that in some other companies in New York this custom prevails; but your committee are also of opinion that it is an error of judgment on the part of any officer of the company who receives a salary for attending to the business of company to take any fees usually given to the trustees for attending meetings either of the Board or of its committees." Since that time this practice has been discontinued.

Charges 13, 14 and 21, and some other charges not numbered, having reference to actuarial questions, were referred to Mr. Paterson, the Department Actuary, for investigation, and he reports as follows:—

DECEMBER 26th, 1891.

Hon. MICHAEL SHANNON,

Deputy Superintendent Ins. Dep't. State of New York.

Dear Sir:—Referring to your favor of October 10th, 1891, relating to certain charges made by Mr. T. M. Banta, late cashier of the New York Life Insurance Company, against the officers of that company, I shall attach to my replies the same numbers you have placed opposite the charges.

1st. The companies writing "five year dividend" policies carry the dividends accrued, but not due, on such policies in their general surpluses. As to the correctness of this proceeding I have no doubt.

It does not necessarily follow that reserves based on a table having a high rate of mortality would be larger than those based on a table having a lower rate of mortality; it may or may not be so, according to the nature of the policy contract.

In its own statement, published each year, the company carries a special reserve on account of extra climate risks.

2nd. The company practically makes "a larger reserve on the Spanish American risks" by carrying the special reserve referred to above.

3rd. Some time since the company's rates for annuities were re-adjusted, and I should not consider that part of its business unprofitable.

"Class B" policies are not Term policies, as Mr. Banta thinks, but are, properly speaking, Reserve Endowments, in which the endowment is the equivalent of a reserve upon a whole life policy at the end of the term of years for which the policy is written.

As to the "Distribution" policy the Department has been advised by Hon. Wm. B. Ruggles, late Deputy Superintendent, and formerly Attorney General, that the company has a perfect right to issue the same.

4th. "Class B" policies, which terminate in a limited term of years, are written on lives having some defect in their family history which would preclude them from getting a whole life assurance policy.

Many persons whose applications for whole life assurance would be rejected are recognized as safe risks for a limited term of years.

5th. I cannot, at present, express as exact an opinion upon this charge as I should desire to do.

The reserves charged against policies by the Department are based upon its tables of "mean" reserves.

In determining the policy liabilities and credits in the examination just concluded, many items of policy credits were scaled to meet the mean reserves.

6th. In the time at my command I have not been able to determine the reserve on the "Russian policies" as a class.

7th. In the case of the Globe Mutual Life Insurance Company, the excess of the securities held in Canada over the reserves on the Canadian policies was delivered to the then receiver of the company, Mr. James D. Fish.

8th. In returning its "Tontine dividend fund" the company reports it as called for in the Department blank.

9th. In making up the dividends of the company, errors of computation and of transcription will occur; such errors are certain of detection sooner or later, and when so detected the company, very properly, claims the right to correct them.

This, I understand, was the fact in the case of the Gurnee policy referred to by Mr. Banta. I understand that the clause referred to is frequently inserted in participating policies at the request of the applicants therefor.

The difference in the amounts of the checks written for the settlement of the Gurnee claim is explained as follows:—This policy matured Sept. 8th, 1888, for \$100,000, with a dividend addition of \$2,640; a check in payment of same was refused by Mr. Gurnee, who claimed that as a profit had been made on his policy, he was entitled to a larger amount.

This claim was disputed by the company, and the matter was not settled until November 9th, 1888, when a check was drawn for \$105,000.

This amount was made up as follows:—Policy and additions, \$102,640; interest on same from September 8th to November 9th, \$855.33, and \$1,504.67 allowed in compromise of the amount in dispute.

The comparison of the dividends paid upon policies No. 177,247 and No. 172,778, is not considered a fair one owing to the wide difference in ages of the persons insuring under them.

Very respectfully,

Signed: JOHN S. PATERSON,
Actuary.

A good deal of criticism has been passed on the amount of salary paid to the president of this company.

Well, this is question of individual judgment. It is the belief of the undersigned, that a man who is endowed with all the qualifications that should be found in the president of a company like this is worth to the policyholders the amount of a very large salary.

ADVERTISING.—Mr. Banta, in his statement to you, charges that a very large and unusual amount has lately been paid for advertising. This is true; but the unusual circumstances surrounding the company required it.

The premiums charged to policyholders are based on the presumption that the assets shall earn a certain amount each year. The existence of a life insurance company depends in a very great measure on the earning capacity of its assets. If improvident or unprofitable investments or loans without interest are made, the policyholders are injured and their interests imperilled to that extent. In order to provide for any contingency that may arise, the premiums charged to them are greater than it is expected will be necessary for the fulfillment of the obligations assumed by the company, it being understood that the excess shall be returned to policyholders in the shape of dividends, and any waste of the company's funds necessarily reduces the amount they are so entitled to have returned to them. Any disposition of the funds of the company that tends to reduce their earning capacity is, therefore, a detriment to the policyholders. The premiums charged are so large that gross mismanagement may exist and the company still remain perfectly solvent. The policyholders, however, while perfectly secure as to the final payment of the policies, do not receive their due in the matter of dividends.

A great deal of work has been done in this examination, to which reference here is unnecessary. The gentlemen who have assisted in this examination are entitled to the highest praise for their careful and conscientious work.

In conclusion I desire to express to you my thanks for your constant, intelligent and honest supervision and co-operation in this examination.

Very respectfully submitted,
MICHAEL SHANNON,
Deputy Superintendent.

STATE OF NEW YORK, }
City and County of New York. } ss.:

MICHAEL SHANNON, being duly sworn, deposes and says, that the foregoing report subscribed to by him is a just and true report in all respects of an examination of the condition and affairs of the New York Life Insurance Company made by him, to the best of his knowledge and belief.

MICHAEL SHANNON.

Sworn and subscribed to before me, }
this 9th day of January, 1892.

WILLIAM C. ARNOLD,
Notary Public,
N. Y. Co.

The London Assurance Corporation invites applications for the position of Resident Secretary and Inspector at Toronto. Apply by letter to E. A. LILLY, Manager, Montreal.

THE GRAMMAR SCHOOL,

Berthier-en-haut, P. Q.

A thoroughly good boarding school, with every comfort of home. Preparation for Commercial Life or the Universities, Conversational French, Short-hand and Typewriting, Military Drill.

Highest References to a number of leading Insurance Men.

Prospectus on application.

MAX. LIEBICH,
PRINCIPAL.

INSURE
PHOENIX

CASH CAPITAL, -

- Head Office for Canada,

GERALD E. HART,



WITH THE
HARTFORD

- \$2,000,000.

114 St. James St., MONTREAL.

General Manager.

Agencies established in all the principal CITIES and TOWNS in the Dominion.

THE WATERLOO MUTUAL FIRE INSURANCE COMPANY.

29TH ANNUAL MEETING.

The 29th Annual Meeting of the Waterloo Mutual Fire Insurance Co., was held in the Board Room of the Company, on Saturday, Jan. 16th. The attendance was not large, but thoroughly representative.

Among the number present were: J. Livingston, M. P., Baden; E. W. B. Snider, M. P. P., John L. Wideman and N. W. Gingerich, St. Jacobs; Thos. Gowdy, Guelph; W. H. Bowlby, Q. C., I. D. Bowman, L. J. Breithaupt, Berlin; Menno Snider, Conestogo; Thos. Cowan, Galt; Allan Bowman, Blair; I. E. Boneston, M. P., S. B. Bricker, F. Haight, W. H. Riddell, Simon Snider, John Killer, J. M. Muir, M. Devitt, N. Killer, Wm. Snider, A. Kraft, George Wegenast and D. Bean, Waterloo. The chair was occupied by the President, Chas. Hendry, Esq., and Mr. Haight acted as Secretary, owing to the absence of Mr. C. M. Taylor, through illness. The minutes of the previous meeting were read and approved. The President then read the various reports of the past year:

DIRECTORS' REPORT.

To the Members of Waterloo Mutual Fire Insurance Co.:

GENTLEMEN,—Your Board of Directors beg to lay before you their report for the year ending on the 31st day of December, 1891, being their 29th annual report.

From the detailed statements about to be read to you, we have prepared the following abstract of the leading items of interest contained therein.

We have during the past year issued 6,614 policies. The total number of policies in force is 15,521. The aggregate amount insured under these policies is \$14,742,794, an average amount to each policy of \$949.86. The total earnings of the Company are \$127,238.10. The number of claims is 204. The amount paid in losses under these claims is \$61,652.33, less re-insurance \$5,159.33. The assets of the Company, exclusive of Premium Note Capital, are \$114,877.78. The liabilities are, amount required to re-insure all the Cash system and Mutual system risks outstanding at the close of the year, \$63,095.60, and the amount of unadjusted losses estimated at \$2,447, leaving a balance of \$49,335.18 assets above liabilities.

You will be glad to learn that the company has strengthened its resources during the past year, by adding largely to its surplus assets.

In conclusion your attention is called to the two main objects of your meeting to-day, viz., disposing of the statements about to be read, and the election of five directors. The retiring directors are Messrs. I. E. Bowman, S. Snyder, John Allchin, John L. Wideman, and Allan Bowman, all of whom are eligible for re-election.

FINANCIAL STATEMENT.

The Secretary's financial statement, duly verified by the auditors, was submitted to the meeting as follows:

Balance on hand as per statement 31st
December, 1891..... \$ 90,490 14

Receipts.

Premiums and assessments..... 123,533 84
Interest and Transfer fees..... 4,112 03
Rent..... 872 65

\$219,008 66

Expenditures.

Losses (less re-insurance \$5,159.33).... \$56,493 00
Salaries..... 7,495 47
Rebates, Cancellations, Commissions... 25,923 74
Reinsurances and Agents' Bonuses..... 10,673 76
Travelling Expenses, Postage, Books,
Stationery, Advertising and Printing. 3,953 99
Law Costs, Exchange, Auditing and
miscellaneous disbursements..... 2,967 08
Balance 112,401 62

\$219,008 66

Assets.

Real Estate..... \$15,124 23
Mortgages..... 40,620 00
Debentures..... 16,000 00
Deposit Receipts "Molsons Bank".... 27,000 00
Bills Receivable..... 2,730 29
Unpaid Assessments..... 1,660 04
Agents' Balances* 5,755 31
Office Furniture..... 629 53
God's Plans..... 1,414 92
Unpaid Rent..... 156 00
Molsons Bank, account current..... 1,231 83
Cash on hand..... 79 47

\$112,401 62

Liabilities.

Unpaid Losses adjusted and unadjusted † \$2,447 00
Re-insurance Fund, to provide for all
outstanding risks as per statement... 63,095 60

\$65,542 60

Balance of Assets.....

46,859 02

\$112,401 62

Balance of Assets brought down..... \$46,859 02
Accrued Interest unpaid..... 2,476 16
Premium Notes, Less Premiums and as-
sessments paid thereon..... 193,402 00

Assets over all Liabilities.....

\$242,737 18

* Agents balances reduced since to \$3,282.

† Unpaid Losses reduced to \$747.

The Directors' report and the Secretary's financial statement were adopted unanimously on the motion of Mr. Chas. Hendry, seconded by L. J. Breithaupt. Messrs. J. M. Muir and W. H. Riddell were then appointed scrutineers, and the meeting proceeded to elect directors to fill the places of the retiring directors. The retiring directors were unanimously re-elected. Messrs. J. M. Scully and Benjamin Devitt were reappointed auditors for the current year.

On motion of W. H. Bowlby, Q. C., seconded by L. J. Breithaupt, a resolution was passed, fixing the remuneration of Directors for attendance at meeting of the Board or of Committees at \$4 per day and to cents a mile for travelling expenses.

A cordial vote of thanks was passed on motion of Thomas Cowan, seconded by Thos. Gowdy, to the Secretary, Inspector and staff of officers for the efficiency with which they had conducted the business of the Company during the past year.

The directors met at the close of the annual meeting and re-elected Mr. Chas. Hendry, president, and Mr. Geo. Randall, vice-president for the ensuing year.

MUNICIPAL DEBENTURES.

GOVERNMENT AND RAILWAY BONDS.

INVESTMENT SECURITIES.

BOUGHT AND SOLD

Insurance Companies requiring Securities suitable for deposit with Dominion Government or other purposes can have their wants supplied by applying to

R. WILSON SMITH,

British Empire Building, MONTREAL

Debentures and other desirable Securities purchased.

CAPITAL -



£1,852,000

Net Premiums }
for year 1890 }

£702,346

OF LIVERPOOL, ENG.

WOOD & EVANS, General Agents,

FOR THE

Province of Quebec, MONTREAL.

Scottish Union & National

Insurance Company of Edinburgh, Scotland.

ESTABLISHED 1824.

CAPITAL, - - - - -	\$30,000,000.00
TOTAL ASSETS, - - - - -	37,277,143.52
INVESTED FUNDS, - - - - -	16,932,993.52
INVESTMENTS IN CANADA, - - - - -	1,252,674.75

M. BENNETT, Jr., Hartford, Conn.,

Manager North American Branch.

WALTER KAVANAGH, - Resident Agent

117 St. Francois Xavier Street, MONTREAL.

PHENIX

FIRE INSURANCE COMPANY,

OF LONDON, ENGLAND.

ESTABLISHED 1782.

Agency Established in Canada in 1804.

PATERSON & SON,

GENERAL AGENTS FOR DOMINION.

HEAD AGENCY OFFICE,

35 St. Francois Xavier Street MONTREAL.

28th Annual Statement

OF THE

TRAVELERS

INSURANCE CO.

Hartford, Conn., January 1, 1892.

Paid-up Cash Capital, \$600,000.

ASSETS.

Real Estate, - - - - -	\$1,255,264.73
Cash on hand and in Bank, - - - - -	858,504.57
Loans on bond and mortgage, real estate, - - - - -	3,100,933.80
Interest on loans, accrued but not due, - - - - -	53,789.61
Loans on collateral security, - - - - -	1,179,387.04
Deferred Life Premiums, - - - - -	192,297.50
Premiums due and unreported on Life policies, - - - - -	153,214.64
State, county, and municipal bonds, - - - - -	2,306,074.56
Railroad stocks and bonds, - - - - -	2,509,241.50
Bank stocks, - - - - -	904,421.00
Miscellaneous stocks and bonds, - - - - -	1,099,983.00

Total Assets, - - - - - **\$13,613,111.95**

LIABILITIES.

Reserve, four per cent., Life department, - - - - -	\$10,077,829.00
Reserve for re-insurance, Accident Dep't., - - - - -	843,624.48
Claims unadjusted and not due, and all other liabilities, - - - - -	202,092.10

Total Liabilities, - - - - - **\$11,123,545.58**

Surplus as regards policy-holders, - - - - - **\$2,489,566.37**

STATISTICS FOR THE YEAR 1891.

LIFE DEPARTMENT.

No. Life Policies written to date, - - - - -	66,672.00
New Life Insurance written in 1891, - - - - -	\$15,925,929.00
Paid Life Policy-holders to date, - - - - -	6,909,408.99
“ “ “ in 1891, - - - - -	734,541.05

ACCIDENT DEPARTMENT.

No. of Accident Policies written to date, - - - - -	\$1,817,642.00
“ “ “ “ in 1891, - - - - -	96,126.00
“ “ Claims paid in 1891, - - - - -	13,267.00
Whole number Accident Claims paid, - - - - -	228,196.00
Amount Accident Claims paid in 1891, - - - - -	986,453.09
Whole amount Accident Claims paid, - - - - -	14,010,189.21

Total Losses paid, both Departments, - - - - - **\$20,919,598.20**

JAS. G. BATTERSON, President.

RODNEY DENNIS, Secretary.

JOHN E. MORRIS, Assistant Secretary.

GEORGE ELLIS, Actuary.

EDWARD V. PRESTON, Sup't. of Agencies.

J. B. LEWIS, M.D., Surgeon and Adjuster.

WM. HANSON, Chief Agent

For Province of Quebec and Province of Ontario, East of Peterborough and North-umberland Counties and Nipissing District.

Office: Temple Buildings, St. James Street,

MONTREAL, P. Q.

—STATEMENT OF THE CONDITION OF THE—

AETNA
INSURANCE COMPANY
Hartford, Conn.,

On the Thirty-First Day of December, 1891.

Cash Capital, - - - - -	\$4,000,000.00
Reserve, Re-Insurance (Fire), - - - - -	2,483,995.40
Reserve, Re-Insurance (Inland), - - - - -	33,236.86
Reserve, Unpaid Losses (Fire), - - - - -	343,246.60
Reserve, Unpaid Losses (Inland), - - - - -	2,734.85
Other Claims, - - - - -	93,905.93
Net Surplus, - - - - -	3,702,019.39
Total Assets, - - - - -	\$10,659,139.03

LOSSES PAID IN SEVENTY-THREE YEARS

SIXTY-EIGHT MILLION ONE HUNDRED AND SIXTEEN THOUSAND DOLLARS.

J. GOODNOW, President.

A. C. BAYNE, Secretary

WM. B. CLARK, Vice-President.

JAS. F. DUDLEY,

WM. H. KING, Ass't. Secretaries.

Head Office for Canada, - - - Montreal.

WOOD & EVANS, - - Agents.

ESTABLISHED 1864.

CITIZENS' INSURANCE CO. OF CANADA FIRE AND ACCIDENT.

Total Assets, including Capital at Call, the whole of which is available for the protection of the Policy-holders \$1,328,131

Head Office, the Company's Building, 181 ST. JAMES STREET, MONTREAL.

Directors and Officers :

HON. J. J. C. ABBOTT, P.C., Q.C., President; ANDREW ALLAN, Vice-President; C. D. PROCTOR, A. DESJARDINS, M.P.; ARTHUR PREVOST, J. O. GRAVEL; H. MONTAGU ALLAN; E. P. HEATON, General Manager; WILLIAM SMITH, Sec.-Treas.

UNITED FIRE RE-INSURANCE CO.

Of Manchester, - - - England.

Chief Office for the United States and Canada MUTUAL LIFE BUILDING, - NEW YORK WILLIAM WOOD, Manager.

CANADIAN BRANCH, Temple Building, St. James St., MONTREAL, PERCY F. LANE, Superintendent. FIRE RE-INSURANCE ONLY.

PROVIDENT SAVINGS LIFE ASSURANCE SOCIETY OF NEW YORK.

SIXTEENTH ANNUAL STATEMENT FOR THE YEAR ENDING DECEMBER 31st, 1890.

Table with 2 columns: Description and Amount. Includes Income, Total Policy-holders, Total Expenses of Management, Assets, Liabilities, Surplus, etc.

\$50,000 deposited with the Dominion Gov't. ACTIVE AGENTS WANTED. R. H. MATSON, General Manager for Canada. Head Office, - - - 37 Yonge St., Toronto.

R. J. LOGAN, Agent, Imperial Bldg, Montreal.

LANCASHIRE

INSURANCE COMPANY Of Manchester, England. Established in 1852.

Capital and Assets exceed \$20,000,000 Total Income in 1890 exceeded 4,000,000 Canadian net Premiums, 1890, exceeded 250,000

JAMES G. THOMPSON, Branch Manager, For the Provinces of Ontario, Quebec, Manitoba, the North-West Territories, and British Columbia.

Head Office, - TORONTO.

Montreal Office, - - - 43 & 45 St. John Street JAS. P. BAMFORD, Agent.

Quebec Office, - - - - 82 St. Peter Street. J. B. MORISSETTE, Agent.

BRITISH AND FOREIGN MARINE INSURANCE CO. Capital and Surplus Assets, \$7,669,000. Issues Open Policies to Importers and Exporters. EDWARD L. BOND, General Agent for Canada, MONTREAL.

1850 THE 1892 United States Life Insurance Co., IN THE CITY OF NEW YORK.

Table comparing insurance statistics for 1888, 1889, 1890, and 1891. Columns include New Insurance written and Total amount in force December 31st.

GEO. H. BURFORD, President. C. P. FRALEIGH, Secretary. A. WHEELWRIGHT, Assistant Secretary. WM T. STANDEN, Actuary.

The two most popular plans of LIFE INSURANCE are the CONTINUABLE TERM POLICY which gives to the insured the greatest possible amount of indemnity in the event of death, at the lowest possible present cash outlay; and the GUARANTEED INCOME POLICY which embraces every valuable feature of investment insurance, and which in the event of adversity overtaking the insured may be used as COLLATERAL SECURITY FOR A LOAN, to the extent of the full legal reserve value thereof, in accordance with the terms and conditions of these policies. Good Agents, desiring to represent the Company, are invited to address J. S. GAFFNEY, Superintendent of Agencies, at Home Office. E. A. COWLEY, Manager Province of Quebec, Montreal.

FIRE—GUARDIAN—LIFE ASSURANCE COMPANY,

OF LONDON, ENG., ESTABLISHED 1821.

PAID UP CAPITAL, - - - £1,000,000 Sterling.
CAPITAL SUBSCRIBED, - - - \$10,000,000.
INVESTED FUNDS OVER - - - \$21,700,000.

General Agents for Canada, } **ROBERT SIMMS & CO.,**
and GEO. DENHOLM,

Office:—FRASER BUILDINGS, ST. SACRAMENT STREET, MONTREAL.
 Applications for Agencies solicited in unrepresented districts.

The London Assurance Corporation

INCORPORATED BY ROYAL CHARTER A.D. 1720.

Total Funds in hand over - - - \$18,000,000
 —FIRE TRIED AND TIME TESTED—

HEAD OFFICE FOR CANADA,

1762 Notre Dame Street, - - - MONTREAL

E. A. LILLY, Manager.

H. S. PELL, Resident Secretary, 38 Colborne St., Toronto.

INSURANCE ***ÆTNA*** COMPANY.

CANADIAN AGENCY ESTABLISHED 1821.

HARTFORD, CONN.

CASH ASSETS, \$10,071,509.65.

Fire and Inland Marine Insurance.

J. GOODNOW, President; W. B. CLARK, Vice-Pres.; A. C. BAYNE, Sec
 JAS. F. DUDLEY, WM. H. KING, Assistant Secretaries.

FIRE INS. ***HARTFORD*** COMPANY.

ESTABLISHED - - - 1810.

HARTFORD, CONN.

CASH ASSETS, \$6,142,454.49.

Fire Insurance Exclusively.

GEO. L. CHASE, President P. C. ROYCE, Secretary

WOOD & EVANS, Agents, MONTREAL.

THE WATERLOO

MUTUAL FIRE INSURANCE COMPANY,

—ESTABLISHED IN 1863.—

Head Office, - - - WATERLOO, ONT.

TOTAL ASSETS - - - \$264,549.19

POLICIES IN FORCE - - - 13,949

Intending Insurers of all classes of insurable property have the option of insuring at STOCK RATES or on the Mutual System,

CHARLES HENDRY, C. M. TAYLOR,
 President, Secretary.

JOHN KILLER, GEORGE RANDALL,
 Inspector, Vice-President.

THE MERCANTILE

FIRE INSURANCE COMPANY,

— INCORPORATED 1875 —

Head Office, - - - WATERLOO, ONT.

SUBSCRIBED CAPITAL - - - \$200,000.00

GOVERNMENT DEPOSIT - - - 20,129.00

The Business for the past thirteen years has been:

PREMIUMS received - - - \$882,629.56

LOSSES paid - - - 479,325.56

LOSSES PROMPTLY ADJUSTED AND PAID.

I. E. BOWMAN, President. P. H. SIMS, Secretary.

— ONTARIO AND QUEBEC BRANCH. HEAD OFFICE, TORONTO —

H. M. BLACKBURN, General Agent.

WM. ROWLAND, Inspector

CITY OF LONDON

FIRE INSURANCE CO. OF LONDON, ENGLAND.

Chairman: SIR HENRY E. KNIGHT, Alderman, late Lord Mayor.

General Manager: L. C. PHILLIPS, Esq.

CAPITAL, - £1,900,000 STG.

All Losses adjusted and paid in the various Branches without reference to England.

NOVA SCOTIA BRANCH,
 Head Office, Halifax,
ALF. SHORT, General Agent.

NEW BRUNSWICK BRANCH,
 Head Office, St. John,
H. CHUBB & CO., General Agents.

MANITOBA BRANCH,
 Head Office, Winnipeg,
G. W. GIRDLESTONE, General Agent.

Bell Telephone 1907. Cable Address: "INDEX."
C. R. G. JOHNSON,
 AGENT. FIRE INSURANCE, BROKER.
 Montreal Agent,
 EASTERN ASSURANCE CO., OF CANADA,
 AGRICULTURAL INSURANCE CO., OF WATERTOWN, N.Y.
 Special City Agent,
 UNION ASSURANCE SOCIETY OF ENGLAND.
 Offices: 42 ST. JOHN STREET, MONTREAL.

JAMES P. BAMFORD,
 General Insurance Agent and Broker,
 REPRESENTING
LANCASHIRE FIRE AND LIFE INS. CO.
 AND
CITY OF LONDON FIRE INS. CO.
 Special facilities for placing surplus and excess lines of Fire Insurance
 for outside agents.
 Offices: 43 & 45 St. John Street, MONTREAL.
 JAMES P. BAMFORD, Agent.

F. H. REYNOLDS,
 SOLICITOR OF PATENTS
And Expert in Patent Cases.
 Electrical Cases a specialty.
 Temple Buildings, ST. JAMES ST., - MONTREAL.
 AGENCIES in Washington, London and all Chief Cities.
 Telephone 192.

FIRE. A. BROWNING, LIFE
 Insurance,
 British Empire Building, } - - MONTREAL
 Telephone, 1743.
 REPRESENTING:—Northern Fire Assurance Co. & British Empire Mutual Life Assurance,
 Surplus Lines placed with First Class Foreign Companies.
 REFERENCES.
 Sir Donald A. Smith, K.C.M.G., M.P. E. B. Greenshields, Esq.
 R. B. Angus, Esq. F. Wolferstan Thomas, Esq.
 ACCIDENT. MARINE.

CHARLES D. HANSON,
 Insurance Adjuster and Inspector,
 IMPERIAL BUILDING, MONTREAL.
 TELEPHONE 1131.

J. F. RUTTAN,
Real Estate & Fire Insurance,
 INVESTMENTS MADE.
 —OFFICES—
 Port Arthur— Fort William—
 West Side Cumberland. South Side Victoria Ave.
 North of Arthur Street. East of May Street.
 Post Office Address—PORT ARTHUR, Canada.

BELLEAU & CLEMENT,
 . . . Fire Insurance. . .
 Surplus lines placed in responsible Companies.
 119 ST. FRANCOIS XAVIER STREET.
 MONTREAL.
 Correspondence invited.

NORTHERN



**ASSURANCE COMPANY,
 OF LONDON.**

INCOME AND FUNDS, 1890.
 Capital and Accumulated Funds\$34,875,000
 Annual Revenue from Fire and Life Business, and Interest
 on Invested Funds..... 5,240,000
 Deposited with Dominion Government for the security of
 Canadian Policy-holders..... 200,000

CANADIAN BRANCH OFFICE,
 724 Notre Dame Street, - MONTREAL

ROBERT W. TYRE, Manager.
 JAMES LOCKIE, Inspector.



**PHOENIX
 INSURANCE COMPANY**
 (Of Hartford, Conn.)

ESTABLISHED IN 1854.
 Cash Capital, . . . \$2,000,000.00
 RESERVE FUND:
 Unadjusted Losses, \$ 391,242.30
 Re-Insurance Fund, 1,950,683.68
 Net Surplus, . . . \$2,341,925.98
 1,334,460.81

D. W. C. SKILTON, President.
 J. H. MITCHELL, Vice-Pres.
 CHAS. E. GALACAR, 2nd Vice-Pres.
 GEO. H. BURDICK, Secretary.

CANADA BRANCH.

FULL DEPOSIT WITH THE DOMINION GOVERNMENT.
 Head Office, - - Montreal.
 114 ST. JAMES STREET.
 GERALD E. HART,
 General Manager and Chief Agent
 Applications for Agencies Solicited.

HEAD OFFICE

HAMILTON, ONT.

ESTABLISHED 1847

CANADALIFE

Assurance Coy

SUM ASSURED OVER \$54,000,000

CAPITAL & FUNDS

ANNUAL INCOME

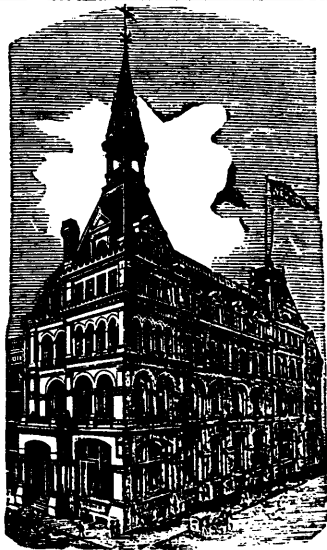
OVER

\$2,000,000

President—A. G. RAMSAY.

Secretary—R. HILLS.

Superintendent—W. T. RAMSAY.



FIRE AND MARINE

WESTERN ASSURANCE OF TORONTO

Directors :

A. M. SMITH, President.

GEORGE A. COX, Vice-President.

Hon. S. C. WOOD, A. T. FULTON, GEO. McMURRICH.

ROBT. BEATY, W. R. BROCK, H. N. BAIRD.

J. J. KENNY, Managing Director.

WESTERN

CAPITAL	\$1,000,000.00
CASH ASSETS	1,555,865.19
ANNUAL INCOME (1890)	1,708,854.67
LOSSES PAID SINCE ORGANIZATION, over	16,526,806.00

CATALOGUE OF

INSURANCE PUBLICATIONS,

FOR SALE AT THE OFFICE OF

The Insurance & Finance Chronicle, Montreal.

All Standard Insurance Books sold at Publishers Prices. (15 p.c. for duty added)

The Insurance & Finance Chronicle.—A semi-monthly journal devoted to the interests of Insurance and General Financial Affairs. Established in January, 1881. Annual Subscription..... \$2 0
Bound Volumes. Per vol..... 3 5

FIRE INSURANCE.

Cancellation Tables. by J. GRISWOLD, The fullest and most extended work of the kind ever attempted: showing both the earned and unearned premiums, both pro-rata and short rate, in actual figures, of any amount from 1 cent to \$100,000, for any time from 1 day to 5 years. 10 00

Classification of Fire Hazards and Losses: a new, complete, and labor-saving method. By J. GRISWOLD, Some eighty companies have adopted this excellent system, and it is steadily growing in favor as the Underwriters become more familiar with it. Cost of complete outfit..... 25 00

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BUSINESS OF 1890.

Premiums.....	\$27,228,209.34
Interest, Rent, etc.....	4,929,890.74
Total Income.....	\$32,158,100.08
Death Claims and Endowments.....	\$7,078,272.48
Dividends, Annuities, and Purchased Insurances.....	6,201,271.54
Total to Policy-Holders.....	\$13,279,544.02

CONDITION JANUARY 1, 1891.

Assets.....	\$115,947,809.97
Liabilities, Company's Standard.....	\$101,048,359.11
Surplus (4 per cent.).....	14,898,450.86
Policies in Force.....	173,469
Insurance in Force.....	\$569,338,726.00

PROGRESS IN 1890.

Increase in Benefits to Policy-Holders.....	\$1,158,422.36
Increase in Premiums.....	2,642,288.24
Increase in Income.....	2,994,833.84
Increase in Assets.....	10,884,209.01
Increase in Insurance Written.....	8,456,977.00
Increase in Insurance in Force.....	73,736,756.00

GROWTH OF THE COMPANY DURING THE PAST DECADE.

New Insurance Issued.	Insurance in Force.	Assets.	Annual Income.
In the year 1880, \$22,229,979	Jan. 1, 1881, - \$135,726,916	Jan. 1, 1881, - \$ 43,183,934	1880, - - - \$ 8,964,719
In the year 1885, 68,521,452	Jan. 1, 1886, - 259,674,500	Jan. 1, 1886, - 66,864,321	1885, - - - 16,121,172
In the year 1890, 159,576,065	Jan. 1, 1891, - 569,338,726	Jan. 1, 1891, - 115,947,810	1890, - - - 32,158,100

Number of Policies Issued during the year, **45,754.** New Insurance, **\$159,576,065.**

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